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THE SEASON'S GREETINGS.

TO the Readers of the JOURNAL-BULLETIN—the Editors and Publishers extend "The Season's Greetings."

This now represents a large family. The monthly edition of the JOURNAL-BULLETIN comprises about 30,000 copies. Of this number 14,000 are sent to members of The American Bankers Association, about 15,000 to members of the American Institute of Banking and the balance to regular subscribers and exchange lists. Computing by the usual method of the press, as to the number of readers based on the circulation, the JOURNAL-BULLETIN should be read by almost 100,000 people.

The value of the JOURNAL-BULLETIN is attested frequently by letters received from our members speaking in the highest terms of the value of the publication.

While the JOURNAL-BULLETIN is intended as a medium for the purpose of conveying to our subscribers full information regarding the work of the Association, its Sections and Committees, and the BULLETIN portion to monthly valuable information regarding the work of the American Institute of Banking and its various Chapters—too much importance cannot be attributed to the Legal Opinions furnished by our General Counsel, and to the portion given over to the Protective Department.

The JOURNAL-BULLETIN, after it has been received by the banks of the country and looked over by the officials of the bank, should immediately be given to the Paying Teller with instructions that he carefully look over the pictures and autographs of bank crooks; familiarize himself with their doings and strengthen his own position as to the danger of receiving forged checks, and be able to identify these criminals should they present themselves at his cage.

The work of our Protective Department would be greatly strengthened by close attention to the Protective Department of the JOURNAL-BULLETIN, and without a doubt many more criminals apprehended and protective measures employed.

May Peace, Plenty and Prosperity come in full measure to all our readers. F.

THE FEDERAL RESERVE ACT.

A FEW days preceding Christmas the press of the country announced that President Wilson would present to the people of the United States a brand-new Banking and Currency Act as a Christmas present.

After months of preparation and deliberation, a bill was passed and signed by the President on the afternoon of December 23, 1913.

The bill in its entirety is not perfect or what was desired or demanded by the banking and business interests of the country. It has been pronounced, however, by bankers and economists to be from 60 per cent. to 80 per cent. good.

When the Glass bill was first brought out—and before any action was taken by Congress—it was a crude measure, incomplete, and lacking in many important features and with four fundamental principles that seemed vitally opposed to sound economic principles. Some of these objectionable fundamental features of the bill have been overcome entirely; and, others have been so modified that they now appear in much more desirable form.

At certain periods during the past few months, when these various bills were being considered, it was among the possibilities that many of the National banks would refuse to enter the system; but, with the careful consideration which has been given the subject by the Senate Committee in its hearings —the Act is now in such shape that it is generally believed that National banks will subscribe for stock and join the system.

It necessarily follows that in the evolution of a measure of this nature—giving the country a new banking law, where there has been no banking legislation of any account for fifty years—the development of a suitable law demanded time, careful thought and deliberation. On the other hand, the importance of immediate action was so apparent, that President Wilson was determined that Congress should pass a bill before the holidays, so that the new Act will no doubt disclose some complications and inconsistencies which will require early amendment; these will not, however, interfere with the organization of the Federal Reserve Board and of the Regional Banks.

In another portion of the JOURNAL-BULLETIN is published a "Digest of the Federal Reserve Act" which has been prepared by the Guaranty Trust Company of New York, and which is used with their permission and by their courtesy.

This Digest gives in concise form and in intelligible shape all the provisions of the New Act, and will be found in convenient form for banks, who do not care to read the entire bill with its governing features, in which they might not be particularly interested.

F.

THE YEAR OF NINETEEN-THIRTEEN WITH THE AMERICAN BANKERS ASSOCIATION.

THE year 1913, just closed, is the 39th in the history of the American Bankers Association and an important era in the annals of the organization. The year has been one of results, in increased membership, full activity in the five sections, valued work of committees and much good accomplished by the Currency Commission of the Association. The Protective Department makes an effective showing and has again proven the value of this part of the Association's activities. The report of the Protective Committee for the fiscal year shows that the convictions for crimes against banks were 199.

At the first meeting of the Association, in 1875, there was an attendance of some 300 bankers, which represented the membership at that time. The membership of the Association on August 31, 1913, at the end of the fiscal year, was 14,100 banks—a net increase of 777 members over the previous year, with an approximate total income for the year ending August 31, 1914, of $232,000.

Banking and currency legislation has been paramount in importance during the year 1913, with the American Bankers Association and the various State Associations, and the full force and influence of these bodies, as well as of the Currency Commission of the Association, has been directed towards aiding the government in bringing out a desirable law.

The Republican Administration, which retired on March 4th last, left the United States without a new banking law—although a most excellent bill had been prepared by the National Monetary Commission. Unfortunately, prejudice existed against the measure and some of the framers of the measure; and, being on the eve of a Presidential Election, the good work done by the National Monetary Commission (after three years of study and preparation) was allowed to die with the old Congress.

It became apparent immediately after the 4th of March, when the new administration took up the reins of government, that President Wilson was determined to pass two important measures during the intervening months—The Tariff and Banking and Currency.

The Tariff being considered most important, was first considered by Congress, and in the meantime a currency bill was prepared. This was first presented to the public in the Glass Bill and introduced in the House of Representatives in June, 1913. In the haste of preparation this bill was notoriously crude, lacked elements to make it workable and was wanting in some important fundamental principles.

The American Bankers Association, through its Currency Commission organized in October, 1906, is entitled to a large part of the credit in bringing about advanced banking and currency legislation, which has now resulted in a law and which it has taken seven years to accomplish.

Shortly after the organization of the Currency Commission in 1906 a bill was prepared known as the "Asset Currency Bill." This bill was introduced into Congress in 1907 and a similar bill in 1908. The country was not prepared at that time for asset currency and much criticism followed.

The National Monetary Commission of Congress was organized in 1908, and an educational campaign for banks and business men was launched and the so-called "Aldrich" plan evolved, which paved the way for the legislation which has been accomplished this past year.

The Currency Commission of the Association was called together at Atlantic City on June 18-19, 1913, when thirty-three answers were prepared to the questions formulated by the Sub-Committee of the Banking and Currency Committee of the United States Senate, and these answers were submitted to said Sub-Committee.

Immediately thereafter, on June 22d-23d, members of the Currency Commission met in the City of New York, and made a thorough analysis of the Glass Bill of June, 1913, before referred to. On invitation of the Commission Senator Owen appeared before them in consultation during these sessions.

The suggestions of this conference were sent to Washington. As is well known, the Glass Bill was considered only by the Democratic Members of the House Committee on Banking and Currency, and also by the Democratic caucus of the House, all without hearings.

The next important move was a conference called by the Currency Commission of the American Bankers Association held at Chicago on August 22-23, 1913. This conference comprised the Currency Commission of the Association, representatives of the Clearing Houses of the country and representatives of the various State Bankers' Associations.

There were present at the conference representatives from 118 cities of 37 States—aggregating some 300 bankers, the Southern and Western States predominating. This conference put itself on record as opposed to the measures before Congress; formulated resolutions; made an analysis of the bill as proposed; and made suggestions and recommendations—all of which was done unanimously. A Committee of seven was appointed to appear before the Senate Committee on Banking and Currency. This important Committee was composed of Messrs. J. B. Forgan, Chicago, Ill., Chairman; George M. Reynolds, Chicago, Ill.; Festus J. Wade, St. Louis, Mo.; Sol Wexler, New Orleans, La.; E. J. Hill, Norwalk, Conn.; Joseph Chap-

man, Minneapolis, Minn.; Robert F. Maddox, Atlanta, Ga.; and General Secretary Farnsworth, Secretary to the Committee.

The hearings took place in the United States Senate Committee Room at Washington, D. C., September 2d-6th, and occupied four and one-half days; and too much importance cannot be placed upon these hearings which paved the way for the several weeks' hearings which followed and finally brought about a bill very much modified, much more workable and fairly satisfactory; and, in its finality pronounced by experts to be 60 per cent. to 80 per cent. good.

The Thirty-ninth Annual Convention of the Association—successful in every particular—met in Boston the first week in October, and may be considered the largest and most important Convention ever held by the Association; no doubt made so by the extreme interest in banking and currency legislation. A report from the Currency Commission was presented by A. Barton Hepburn, Chairman, which report outlined the work of the Commission. Resolutions were presented and adopted approving the work of the Currency Commission and endorsing the action of the Chicago conference, the conclusions they reached and recommendations they made. These resolutions were passed with but one dissenting vote, and copies were forwarded to Washington.

Another important meeting also held at Boston was that of the country bankers, which was attended by 1,000 representatives from banks of less than $250,000 capital, from all parts of the country. A series of strong resolutions were passed and a committee of one from each State was appointed to visit Washington and appear before the Senate Committee.

In addition to the organized work done during the past year for Banking and Currency legislation, the various State Bankers' Associations have done yeoman work through their Associations and individual membership; and many individual bankers who have been identified prominently with the American Bankers Association and its work were called frequently to Washington for consultations and for hearings.

Next in importance to Banking and Currency legislation and prominent in the year's history was the adoption of a new Constitution—the work of an able Committee who gave much time and thought to the question. Since the adoption of the original Constitution in 1875 there have been hundreds of changes, but no new Constitution written and the necessity for this work was apparent. The new Constitution was adopted at the Boston Convention and will stand for many years as a monument to those who produced it. Many radical changes were made in the laws governing the general administration of the affairs of the Association; notable among them being the provision that Standing Committees shall be appointed from the Executive Council.

The enormous increase in membership of the Association in the past six years; the activities of the various Sections and Committees; the co-operation which has been manifest in the loyalty of the Association's members; and the increased attendance at conventions, demanded these changes which have been brought about, and can only inure to the general welfare of the organization.

The Administrative Committee met during the year at various periods (between the meetings of the Council) and transacted such routine business as was necessary.

The Spring Meeting of the Executive Council was held at Briarcliff Lodge, Briarcliff Manor, N. Y., May 5th, 6th, 7th, transacting the usual routine business and was largely attended and, as usual, successful.

The important work of the Committee on Agricultural and Financial Development and Education was recognized by the Boston Convention in raising this Committee to the distinction of an Agricultural Commission.

The completion of forms for National and State Banks was brought about during the year, and almost the entire edition disposed of to the members who were anxious to have the results of the work of this special committee.

During the year there was appointed a committee to whom was assigned the duty of preparing a new cipher code. This most excellent committee has given very careful thought to this subject and a new code is now in preparation and will be issued in the near future, which will certainly reflect credit on the Committee and the Association. It will be most complete and comprehensive and will be welcomed by the large membership who are now using the code so generally.

The Sections and General Committees of the Association, to whom have not been assigned any special work, are entitled to a large measure of credit for results accomplished during the year.

There are now 48 live and progressive State Bankers' Associations to whom has come a goodly measure of prosperity and increase in membership. Two State Associations have been organized during the past year—New Hampshire and Delaware. The only State not having an Association is Rhode Island, and it is believed that this State will organize during the present year.

The American Institute of Banking, one of our valued adjuncts, held its Eleventh Annual Convention in the City of Richmond, Va., September 17th-19th. It was the largest and most successful of the series.

The Association has met with severe loss by death during the year of 1913. Each month has noted through the JOURNAL-BULLETIN a list of officers and directors of banks, who are a distinct loss to their various communities. The Association was called upon to mourn the loss of its beloved President, Mr. Charles H. Huttig, of St. Louis, Mo., who died July 12, 1913; and, on the first day of the Boston Convention a suitable memorial service was held. Mr. Huttig is the only President the Association has ever lost during term of office. Mordecai Morris White died in the City of Cincinnati, September 30, 1913, aged 83 years. Mr. White was elected President of the American Bankers Association in 1893.

In the City of Philadelphia on September 18, 1913, there passed to the Great Beyond the Father of the American Bankers Association, Mr. James T. Howenstein. Mr. Howenstein was a resident of St. Louis in 1875, and called the first meeting of bankers in May, 1875, in New York City, from which the call emanated for the first Convention of the Association at Saratoga, N. Y., that year.

William B. Green, Secretary of the American Bankers Association, 1887-1892, died in Lorraine, Ohio, in August, 1913.

Robert E. James, of Easton, Pa., died at his home November 10, 1913. Mr. James was prominently identified with the activities of the Association for many years, and his last great work was as Chairman of the Committee on Revision of the Constitution. The Constitution in its entirety will stand for many years as a consistent example of his magnificent work—as well as a labor of love during the period when he was so seriously affected by his disability. At the time of his death, Mr. James was Chairman of the Law Committee of the Association. F.

OFFICIAL BADGES.

THERE are a few of the Official Badges left over from the Boston Convention, which will be sent to such of our members who would like them, on request in writing to the General Secretary. These will be sent out in the order in which applications are received until the supply is exhausted.

NEW PAMPHLETS FOR DISTRIBUTION.

TWO new pamphlets are available upon request from the Library. They are "The Legal Status of the Clearing House," by Carl Meyer, and "Safeguarding Commercial Paper," by Ralph Van Vechten, Vice-President of the Continental and Commercial National Bank, Chicago.

FEDERAL RESERVE ACT DIGEST

Prepared by the
Guaranty Trust Company of New York
and by Their Courtesy Reprinted.

FEDERAL RESERVE BOARD.

Seven Members.

Secretary of Treasury—ex officio chairman.
Comptroller of Currency, ex officio.
Five to be appointed by President with consent of Senate to serve ten years, not more than one from any District—two to be experienced in banking or finance—one to be Governor and one to be Vice-Governor. All to give entire time to business of Board, salary $12,000 each.

No member shall be an officer, director, or stockholder of any bank or trust company, nor a member of Congress.

Members and Assistant Secretaries of Treasury shall not be employed in any Member Bank while in office nor for two years thereafter.

Powers.

To examine Federal Reserve Banks and Member Banks.

To permit or require Federal Reserve Banks to rediscount paper of other Federal Reserve Banks at rates to be fixed by this Board.

To suspend for stated periods reserve requirements and to establish a tax on decreasing reserves.

To regulate the issue of Notes.

To add to or reclassify existing Reserve and Central Reserve Cities.

To suspend or remove officials of Federal Reserve Banks.

To require writing off doubtful assets of Federal Reserve Banks.

To suspend, liquidate or reorganize Federal Reserve Banks violating this Act.

To require bonds of Federal Reserve Agents; to perform all duties, etc., specified or implied in this Act, and to make all necessary rules and regulations.

May exercise functions of Clearing House and may require Federal Reserve Banks to do the same for Member Banks.

To levy upon Federal Reserve Banks semi-annual assessments sufficient to meet estimated expenses of the Board.

To exercise general supervision over Federal Reserve Banks.

To define character of bills eligible for discount by Federal Reserve Banks, and to limit and regulate rediscounts and acceptances.

May establish rate of interest to be charged Federal Reserve Banks on Federal Reserve Notes issued.

May fix the charges to be collected by Member Banks for checks cleared through Federal Reserve Banks.

To employ necessary attorneys, clerks, etc., without regard to classified service; but President may place said employees in classified service.

Organization Committee.

To consist of Secretary of Treasury, Secretary of Agriculture and Comptroller of Currency.

To designate as soon as practicable Federal Reserve Cities, and establish Federal Reserve Districts, its determination subject to review only by Federal Reserve Board.

To supervise organization of a Federal Reserve Bank in each Federal Reserve City.

Federal Advisory Council.

Composed of as many members as there are Federal Reserve Banks—one chosen by each bank. May act in advisory capacity only to Federal Reserve Board.

FEDERAL RESERVE BANKS.

Not less than 8 nor more than 12; one to be located in each of a like number of cities to be known as Federal Reserve Cities; one of such cities to be located in each of a like number of districts to be known as Federal Reserve Districts covering the entire continental U. S., excluding Alaska.

Each controlled by nine directors, as follows:

3—Elected by Member Banks representing banks.

3—Elected by Member Banks representing business interests of District—directors, officers, or employees of any bank not eligible.

3—Appointed by Federal Reserve Board, one a person of banking experience, to be chairman and designated as "Federal Reserve Agent." Directors, officers, employees or stockholders of any bank not eligible.

No member of Congress shall be an officer or director.

Capital not less than $4,000,000. Shares $100 par value, tax exempt, to be subscribed by Member Banks in District, and under certain conditions by U. S. Treasury, and by general public, holdings by latter not to exceed $25,000 each. Only stock owned by Member Banks can be voted; such stock not to be transferred nor hypothecated.

Earnings:—6 per cent. cumulative dividends; remainder—½ to surplus up to 40 per cent. of paid-in capital, after this all earnings to U. S. as a franchise tax, to be applied either to gold reserve, or to retirement of outstanding U. S. bonds.

Must maintain reserves in gold or lawful money of at least 35 per cent. of its deposits, in addition to reserves against notes.

Duties and Powers.

Shall receive for deposit at par checks and drafts drawn on any of its depositors; and checks and drafts from other Federal Reserve Banks drawn on any bank in the system.

Shall accept deposits from U. S., Member Banks of District, and other Federal Reserve Banks.

* May discount commercial notes, drafts and bills of exchange endorsed by Member Banks protest waived, not including those drawn or issued to carry stocks or securities, except U. S. bonds; such paper not to run for more than 90 days, except agricultural and cattle paper in amount fixed by Federal Reserve Board, having a maturity not to exceed six months.

May discount acceptances up to ½ of their capital and surplus, bearing endorsement of one Member Bank based on exportation or importation of goods, and maturing in not more than three months.

May issue circulating notes under conditions provided in National Bank Act, except that issue is not limited to amount of capital.

Under regulations of Federal Reserve Board may buy and sell, with or without endorsement of a Member Bank, cable transfers, bankers' acceptances and bills of exchange of kind named above.*

May deal in gold coin and bullion.

May buy and sell U. S. bonds and notes; also State, County, District, or Municipal notes, revenue bonds or warrants having not more than six months to run.

May buy from Member Banks and sell bills of exchange arising out of commercial transactions.

Shall establish branches in District under regulations approved by Federal Reserve Board.

May establish from time to time rates of discount.

May, with consent of Federal Reserve Board, open bank accounts and establish agencies in foreign countries to deal in two-name bills of exchange, having not more than 90 days to run.

May open accounts with other Federal Reserve Banks for exchange purposes.

No government funds, public funds of the Philippine Islands, nor postal savings funds shall be deposited in any bank in the continental U. S. not belonging to this system.

Note Issue.

Federal Reserve Notes, obligations of U. S., to be issued to Federal Reserve Banks at discretion of Federal Board; denominations $5, $10, $20, $50, $100; redeemable in gold or lawful money at any Federal Reserve Bank, and in gold at U. S. Treasury; secured by equal amount of paper accepted for rediscount, and by first lien equally with circulating notes secured by U. S. bonds, on all assets of issuing bank; receivable for all taxes, customs, and other public dues.

Federal Reserve Banks allowed to substitute collateral.

Notes must be forwarded to issuing bank for credit or redemption when received at other Federal Reserve Banks.

Federal Reserve Banks shall carry 40 per cent. gold reserve against outstanding notes, of which not less than 5 per cent. shall be with U. S. Treasury.

When gold reserve, by permission of Federal Reserve Board, falls below 40 per cent., Board shall establish tax of not more than 1 per cent. on deficiency down to 32½ per cent.; below that not less than 1½ per cent. increasingly upon each 2½ per cent. decrease; tax to be paid by Reserve Bank but added to rates of discount fixed by Board.

No Federal Reserve Bank shall pay out notes of another bank under penalty of 10 per cent. face of notes.

Federal Reserve Board has right to reject application for notes of any Federal Reserve Bank.

Notes presented for redemption at U. S. Treasury shall be paid and returned to Federal Reserve Bank. If presented otherwise than for redemption may be exchanged for gold and returned to issuing bank, or they may be returned for credit of U. S.

MEMBER BANKS.

Every National Bank must within 30 days after notification from Organization Committee, and eligible State Institutions may, at any time join the Federal Reserve Bank in their District, by subscribing to stock a sum equal to 6 per cent. of their paid-up capital and surplus, one-sixth to be payable on call, one-sixth within three months, and one-sixth within six months thereafter, the remainder on call.

Any National Bank failing to accept terms of this Act within sixty days after its passage shall cease to act as reserve agent, and failing to comply with the Act within one year after its passage shall forfeit its franchise under the National Bank Act.

National Banks having capital and surplus of $1,000,000 or more may, with permission of Federal Reserve Board, establish foreign branches.

May accept drafts or bills of exchange having not more than six months to run, drawn upon them for exportation or importation of goods, up to one-half of capital and surplus.

National Banks, if not in a Central Reserve City, may make loans maturing in not to exceed five years on farm lands within District at not to exceed 50 per cent. of value of property, up to an aggregate of 25 per cent. of capital and surplus, or to one-third of time deposits.

National Banks permitted to receive time deposits and to pay interest thereon.

No bank subject to visitorial powers except such as authorized by law.

No officer, director, employee or attorney shall receive directly or indirectly, under penalty of fine and imprisonment, any fee, commission, gift or other consideration in connection with the business of the bank, except the usual salary or director's fee.

Comptroller of Currency, with approval of Secretary of Treasury, shall appoint examiners who shall examine each Member Bank at least twice in each calendar year. Examination of State Institutions by State authorities may be accepted.

Requirement that National Banks shall deposit U. S. bonds with Treasurer repealed.

State Banks may become National Banks.

State Banks upon becoming Member Banks must conform to National Bank Act as follows: Limitation of liability to such banks; prohibition against purchase of or loans on stock of such banks; impairment of capital; payment of unearned dividends; and to rules of Federal Reserve Board, and shall also be liable to certain penalties under said Act.

May charge customers actual expense of collections and of exchange, rate of charge for collections to be fixed by Federal Reserve Board.

Reserves.

In estimating reserves net balance of amounts due to and from other banks shall be basis for ascertaining deposits against which reserves shall be determined.

Demand deposits are those payable within 30 days; time deposits those payable after 30 days and those subject to not less than 30 days' notice.

Reserves must be held as follows:

Country Banks 12% of demand and 5% of time deposits, of which	4/12—In own vaults (for first 2 years 5/12). 5/12—In Federal Reserve Bank of home district (2/12 for first year, and 1/12 for each succeeding 6 months up to 5/12). 3/12—In own vault or in Federal Reserve Bank (for 3 years this may be held in own vault, in Federal Reserve Bank, or with reserve agent as at present).
Reserve City Banks 15% of demand and 5% of time deposits, of which	5/15—In own vault (for first 2 years 6/15). 6/15—In Federal Reserve Bank (3/15 for first year and 1/15 for each succeeding 6 months up to 6/15). 4/15—In own vault or in Federal Reserve Bank (for 3 years this may be held in own vault, in Federal Reserve Bank or with reserve agent as at present).
Central Reserve City Banks 18% of demand and 5% of time deposits, of which	6/18—In own vault. 7/18—In Federal Reserve Bank. 5/18—In own vault or Federal Reserve Bank.

Federal Reserve Banks may receive, as one-half of each installment of reserve, paper acceptable for rediscount.

Reserve funds in Federal Reserve Banks may be checked against to meet existing liabilities, but reserve must be restored before new loans or dividends can be made or declared.

Section in former law providing that 5 per cent. redemption fund be considered part of reserve is repealed.

No Member Bank shall keep on deposit with a non-member bank more than 10 per cent. of its own capital and surplus, except where State laws specify that reserves of State Banks shall be kept with State Institutions. Deposits so kept, for a period of three years after organization of Federal Reserve Bank of District, shall be considered as deposits in Reserve Bank.

Except by permission of Federal Reserve Board no Member Bank shall act as agent for non-member banks in obtaining discounts.

National Banks in Alaska or insular possessions may remain non-member banks under National Bank Act, or, except those in Philippines, may with consent of Federal Reserve Board become members.

National Banks may, by special permission of Federal Reserve Board, act as trustee, executor, administrator, and registrar.

Provisions of Aldrich-Vreeland Act extended to June 30th, 1915, with changes in tax rates on circulation, and R. S. Sections 5153, 5172, 5191, and 5214 re-enacted to read as prior to May 30th, 1908.

Refunding of U. S. 2 Per Cent. Bonds.

At any time within twenty years after December 23d, 1913, at the request of any Member Bank, the Federal Reserve Board may direct Federal Reserve Banks to purchase at par not to exceed $25,000,000 in any one year, Government 2 per cent. bonds used to secure circulation, and circulation thereby secured shall be retired, but Federal Reserve Banks so purchasing may issue circulation as under present National Bank Act.

Any Federal Reserve Bank may exchange U. S. 2 per cent. bonds for one-year 3 per cent. U. S. gold notes in amount equal to one-half of amount of bonds exchanged, and thirty-year U. S. 3 per cent. bonds without circulation privilege equal to remainder, provided such bank agrees to purchase for gold if so requested at the end of each year for thirty years, an amount of notes equal to the notes so received. Such notes on approval of Federal Reserve Board may be exchanged for U. S. 3 per cent. thirty-year bonds.

BRANCH BANKS.

IT does not seem to be generally understood by our members that branch banks are eligible to membership in the Association. Branch banks do not and cannot receive membership benefits unless a regular membership is taken out. It is not practicable nor could the Association afford to give to branch banks, without charge, the full advantages of the protective feature and other facilities of the Association.

There are now over three hundred branch banks members of the Association. The dues for a branch bank are ten dollars, where the branch does not have separate capital. Branches with separate capital are charged on the same basis as parent banks, based on the amount of capital and surplus.

Branches joining the Association are given all the privileges of the Association. They are carried on the membership list as regular members, are furnished with the A. B. A. sign, which is a warning to criminals, and receive the full benefits of the protective department. F.

ONE-CENT LETTER POSTAGE.

ACTIVE work has been in progress during the past year in connection with the campaign for one-cent letter postage. It is expected that this matter will be taken up at the winter session of Congress and meet with favorable consideration.

The campaign is being conducted by the National One-Cent Letter Postage Association, with headquarters at Cleveland, Ohio. The Association has members in every State in the Union and is endorsed by many thousands of business men and others who are interested in the question.

OFFICERS ARIZONA ASSOCIATION.

AT the recent convention of the Arizona Bankers' Association the following officers were elected for the ensuing year: President, Albert Steinfeld, President of the Consolidated National Bank, Tucson; Vice-President, W. C. Foster, Secretary of the Phoenix Savings Bank & Trust Company, Phoenix; Secretary, Morris Goldwater, President of the Commercial Trust & Savings Bank, Prescott (re-elected); Treasurer, Lloyd B. Christy, Cashier of the Valley Bank, Phoenix (re-elected).

REGISTRATION AT OFFICES.

THE following visitors registered at the Association offices during the month of December:

Alling, N. D., Vice-President National Nassau Bank, New York City.
Aspden, A. K., Toronto, Canada.
Aspden, T. Fred, The Canadian Bank of Commerce, Toronto, Canada.
Bockus, C. E., Assistant Secretary Old Colony Trust Company, Boston, Mass.
Bogardus, J. H., Treasurer Stamford Savings Bank, Stamford, Conn.
Brewer, R. P., Cashier First National Bank, McAlester, Okla.
Cox, Raymond B., Assistant Cashier Fourth National Bank, New York City.
Edwards, George E., President Dollar Savings Bank, New York City.
Ekirch, Arthur A., Secretary North Side Savings Bank, New York City.
Fetterer, Charles J., Credit Manager Bank of Metropolis, New York City.
Gilliam, W. R., Secretary Harvey Blodgett Co., St. Paul, Minn.
Goff, F. H., President Cleveland Trust Company, Cleveland, Ohio.
Hains, Franklin, Wilkes-Barre, Pa.
Hawley, N. F., Treasurer Farmers' & Mechanics' Savings Bank, Minneapolis, Minn.
Hemphill, A. J., President Guaranty Trust Company, New York City.
Hill, Julien H., Cashier National State & City Bank, Richmond, Va.
Hotchkiss, Leonard F., Secretary The Charles W. Scranton Company, New Haven, Conn.
Irwin, William G., President Irwin's Bank, Columbus, Ind.
Jackson, A. A., Vice-President Girard Trust Company, Philadelphia, Pa.
Johnston, Allen W., Treasurer Schenectady Savings Bank, Schenectady, N. Y.
Law, William A., Vice-President First National Bank, Philadelphia, Pa.
Leigh, B. V., Cashier Clinton National Bank, Clinton, N. J.
McAdams, Thomas B., Cashier Merchants' National Bank, Richmond, Va.
McKerracher, Mrs. J. E., Schenectady, N. Y.
Mason, John H., Vice-President Commercial Trust Company, Philadelphia, Pa.
Newcomer, Waldo, President National Exchange Bank, Baltimore, Md.
Rhoades, Herbert A., President Dorchester Trust Company, Boston, Mass.
Root, George K., New York City.
Ross, Robert S., Schenectady, N. Y.
Ruffin, B. A., Secretary Insurance Committee A. B. A., Richmond, Va.
Stephenson, Rome C., Vice-President St. Joseph County Savings Bank, South Bend, Ind.
Strong, S. Fred., Treasurer Connecticut Savings Bank, New Haven, Conn.
Utley, Edwin S., "New York Times," New York City.
Van Buskirk, De Witt, President Mechanics' Trust Company, Bayonne, N. J.
Van Deusen, W. M., Cashier National Newark Banking Company, Newark, N. J.
Vosburgh, L. F., General Passenger Agent New York Central Lines, New York City.
Whitney, A. E., of H. N. Whitney & Sons, New York City.
Wilkes, E. N., Marine National Bank, Buffalo, N. Y.

TRUST COMPANY SECTION

OFFICERS, 1913-1914.

PRESIDENT:
F. H. GOFF, President Cleveland Trust Co., Cleveland, Ohio.

FIRST VICE-PRESIDENT:
RALPH W. CUTLER, President Hartford Trust Co., Hartford, Conn.

CHAIRMAN EXECUTIVE COMMITTEE:
JOHN H. MASON, Vice-Pres. Commercial Trust Co., Philadelphia, Pa.

SECRETARY:
PHILIP S. BABCOCK, 5 Nassau Street, New York City.

IN order that due consideration might be given the Federal Reserve Act, then pending in the Senate of the United States, in so far as its provisions affect trust companies, a meeting of the Legislative Committee of the Section was held in the Library of the Association on December 13th. Members of the Executive Committee of the Section whose nearness to New York made it possible for them on the necessarily short notice given to attend were also invited to be present. Those present were:

Mr. F. H. Goff, President of the Cleveland Trust Company, Cleveland, Ohio, and President of the Section; Mr. John H. Mason, Vice-President Commercial Trust Company, Philadelphia; Mr. Alex. J. Hemphill, President Guaranty Trust Company, New York; Mr. A. A. Jackson, Vice-President Girard Trust Company, Philadelphia; Mr. Herbert A. Rhoades, President Dorchester Trust Company, Boston.

Various provisions of the bill were very carefully considered, such as the guaranteeing of bank deposits; the granting to National banks applying therefor the right to act as trustee, executor, administrator, etc.; the double liability imposed on trust companies and State banks becoming members of the Federal Reserve system; the prohibition that member banks should not extend, directly or indirectly, the benefits of the system to non-member banks, etc. There not being present either a quorum of the Executive Committee or of the Legislative Committee of the Section, it was not thought advisable to take any formal action, but it was arranged that Mr. Mason and Mr. Jackson should go to Washington and interview members of the Banking and Currency Committee of the Senate in the interest of trust companies of the country. This trip was made a few days after the meeting and much satisfaction was expressed at the courteous treatment accorded them by all whom they were able to see in Washington and at the convincing evidence that legislators in Washington were most desirous to enact into law a bill in the best interests of the country as a whole. The bill has now been passed and has received the President's signature.

In its amended form the guaranty of bank deposits has been eliminated, also the double liability of stockholders in banks and trust companies which might become members, except in so far as such provision is already embodied in State laws.

The Federal Board has power "to grant by special permit to National banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, or registrar of stocks and bonds, under such rules and regulations as the said board may prescribe."

It is understood that the purpose of this provision was to allow National banks to serve their constituents in this way in localities where there were no trust companies or other institutions authorized to do so. It is doubtful whether this permission will be availed of by very many banks, except in such localities, and even so it should not affect to any appreciable extent trust companies now doing that business.

As reported in the December JOURNAL-BULLETIN, the Section has two members on the Executive Council of the Association under the provisions of the new constitution. Membership at this date being 1,150.

A letter has been sent to each non-member trust company throughout the country, calling attention to the advantages of membership in the American Bankers Association and to the additional advantages afforded them by enrollment in the Trust Company Section without additional cost. It is most desirable to increase our membership at least to its strength before the new constitution became effective, and it is earnestly hoped that members having knowledge of trust companies which are not members will make a personal canvass to have such companies join.

By direction of the President a letter was sent to each member of the Executive Committee, asking an expression of opinion as to the advisability of holding the Fourth Annual Trust Company Banquet in May, after the adjournment of the meeting of the Executive Council of the Association. Replies were unanimously in favor of holding this banquet, so that it seems assured one will be so held. Due notice of the time and place will be sent to all members.

Articles in the educational publicity campaign are in demand and are being published throughout the country. A new supply has been received from the printers and copies will be furnished upon request to the Secretary.

BOOKS FOR TRUST COMPANIES.

Two Volumes of Exceptional Interest.

THE Trust Company Section has on hand a number of handsomely bound copies of Proceedings of the Section. Volume I contains the proceedings from 1896 to 1903, inclusive, and Volume II the proceedings from 1904 to 1908, inclusive. These two volumes contain many important reports, addresses, and discussions on matters of great interest to trust company officers and their employees. It is confidently believed that in no other books could so wide a range of trust company information be obtained.

In the pages of these books will be found addresses and discussions covering such topics, among many others, as:

Advertising for Trust Companies.
Educational Publicity for Trust Companies.
Bond Certification by Trust Companies.
Charges and Fees.
Defalcations—What Can be Done to Decrease Them.
Employees—Practices in Interest of.
Fiduciary Capacities—Superiority of the Trust Company in.
Management of Real Estate by Trust Companies.
Registrars and Transfer Agents.
Safe Deposit Companies.
Trustees of Corporate Mortgages.
The Trust Company—a Necessity.
Utility of the Country Trust Company.

A great many copies have been sold, but in order to make room for other matter, the remaining volumes, as long as they last, will be sold at seventy cents each, including postage. Orders should be sent to the Secretary, who will forward the books promptly.

These books would undoubtedly prove a fine advertising medium for companies to send to their depositors and correspondents, and the Executive Committee of the Section will be pleased to make a reduction in the above price to any member wishing lots of fifty or more to be used for the purpose indicated.

A. B. A. MORTUARY RECORD REPORTED DURING DECEMBER.

Archer, Pierce—Director Real Estate Title Insurance Trust Company, Philadelphia, Pa.
Baker, Joseph—Director Woodford County National Bank, El Paso, Ill.
Baker, Wakefield—Director Mercantile Trust Company and Savings Union Bank & Trust Company, San Francisco, Cal.
Balch, Phineas S.—Cashier Marshalltown State Bank, Marshalltown, Iowa.
Batchelor, George—Director Producers' National Bank and Producers' Savings Bank, Woonsocket, R. I.
Bennett, Allen H.—Cashier Beverly National Bank, Beverly, Mass.
Bogart, Gilbert D.—Vice-President People's Bank & Trust Company, Passaic, N. J.
Brewer, Frank P.—Cashier First National Bank, Mercersburg, Pa.
Bull, William Lanman—Director American Exchange National Bank and Metropolitan Trust Company, New York City.
Burgess, Robert—President Bank of Westbury, Westbury, N. Y.
Bush, Asahel—of Ladd & Bush, Bankers, Salem, Oregon.
Clay, F. W.—President Walby & Clay State Bank, Adrian, Mich.
Cleveland, Joseph W.—Vice-President First National Bank, Paterson, N. J.
Coleman, Nicholas—Assistant Cashier Market Street National Bank, Philadelphia, Pa.
Creighton, William J.—Director Buckeye National Bank, Findley, Ohio.
Dayton, Edmund E.—Cashier Asbury Park and Ocean Grove Bank, Asbury Park, N. J.
Dean, W. O.—President First National Bank, Canton, Ill.
Donovan, John—Director German-American National Bank, St. Joseph, Mo.
Dozier, T. H.—Director First National Bank, Thomson, Ga.
Farr, Albert G.—Vice-President Harris Trust & Savings Bank, Chicago, Ill.
French, D. Edgar—Cashier First National Bank, West Allis, Wis.
Goodson, J. F.—Director First National Bank, Morristown, Tenn.
Guinee, Michael J.—Trustee Charlestown Trust Company, Boston, Mass.
Hendrie, George—Vice-President Union Trust Company; Director First National Bank and Detroit Savings Bank, Detroit, Mich.
Hopkins, John P. L.—President First National Bank, Onancock, Va.
Hopkins, Sidney W.—Trustee Dry Dock Savings Institution, New York City.
Jenks, William S.—Director First National Bank, Adams, Mass.
Johnson, Benjamin F.—President First National Bank, Englewood, Kans.
Johnson, M'Ewen—Vice-President American National Bank, Macon, Ga.
King, Charles E.—Vice-President First National Bank, Ypsilanti, Mich.
Ladd, Benjamin F.—Vice-President Tradesmen's Bank, Vineland, N. J.
Lothrop, C. E.—Director First National Bank, Detroit, Mich.
M'Canna, C. B.—President Bank of Burlington, Burlington, Wis.
McDonnell, Alex. E.—President Lumbermen's National Bank, Chippewa Falls, Wis.
McMahon, James—Director Produce Exchange Bank and National Surety Company, New York, and People's Trust Company, Brooklyn, N. Y.
Meidell, H. J.—Cashier Beresford State Bank, Beresford, S. D.
Moses, R. H.—Cashier Citizens' National Bank, Great Bend, Kans.
Murphy, R. H.—President Farmers' National Bank, La Moure, N. D.
Poppleton, William S.—Director First National Bank, Omaha, Neb.
Pratt, David M.—President Second National Bank, Elmira, N. Y.
Roach, Joseph—President Second National Bank, Minot, N. D.
Stone, George A.—Director Security Trust Company and Troy Savings Bank, Troy, N. Y.
Taylor, Milton A.—Director Nashua Trust Company, Nashua, N. H.
Tisdel, Walter C.—Director Cleveland Trust Company, Cleveland, Ohio.
Tuttle, Ezra B.—President The Williamsburg Savings Bank, Brooklyn, N. Y.
Wyckoff, Peter H.—Director National Bank of New Jersey, New Brunswick, N. J.
Ziegler, G. K.—President Second National Bank, Bucyrus, Ohio.

SAVINGS BANK SECTION

NEW YORK'S PROBLEM.

[From an article in the Annual Financial Number of the Brooklyn Daily Eagle, January 4, 1914, by the Secretary of the Savings Bank Section.]

NEW YORK has a commission at work revising and codifying her complex banking laws, and the report will be made to the legislature February 1, 1914. Every State in the Union can benefit by the work done by this commission, as much of it will be adaptable to any State in need of a new banking law.

Thus the work of this commission assumes National importance, and, as in those States whose banking law is weak, that part relating to savings needs most attention, the work of the sub-committee on savings banks, upon which will be based the report of the commission regarding that phase of banking, is of especial importance if the banking law of the State of New York is to continue to hold its present prestige as a model.

In view of the above, possibly a brief consideration of the subject by one who has been privileged to be in close touch with savings banks throughout the United States for the past two years will not be considered an intrusion by the savings bank men of this State, and it is hoped that this discussion and any suggestions it may include may be accepted in the spirit with which they are offered, namely, to promote helpful discussion rather than to present an authoritative solution.

In order to consider this subject in its true light, let us for a moment consider the foundation upon which this great mutual savings bank system of New York State has been reared, representing as it does the largest amount of deposits in any of the financial systems of the State—or, in other words, a deposit liability of one billion nine hundred millions of dollars.

The first savings bank in the State received its charter as a result of the efforts of the Society for the Prevention of Pauperism. This bank, known as The Bank for Savings, now located at Fourth Avenue and 22d Street, Manhattan, began business on July 3, 1819, in the basement of a house on Chambers Street, and for some time its affairs were looked after by a committee of three trustees appointed each month, who served without pay. This is typical of the beginnings of most savings banks. In our own Borough, for instance, the Williamsburgh Savings Bank was served in particular by a gentleman who was a member of the board of trustees and its treasurer. Finally the bank grew to that point where it was deemed advisable to have a paid employee, and this gentleman was asked to accept the position. After mature deliberation he decided to accept, provided he be permitted to resign from the board of trustees and his salary be not over $200 per annum.

In this conscientious manner were these great institutions conceived, and so should they be maintained. As benevolent institutions they have attracted this great sum of the people's money, and while this benevolence has developed into a great banking power to which all of the principles of sound banking should apply, the first consideration of the mutual savings banks in any State should be the security of their depositors' money, and such banks should cooperate to that end as units of a great benevolent system, realizing that inconceivable harm will result if it be permitted to break down in any particular.

With these thoughts in mind, the question will naturally arise, is there a need for any change in the banking law of the State as regards savings banks?

Probably few of us have read every word of the banking law of New York State, even in regard to savings banks; but to those bankers who have, undoubtedly the most striking thing about it is the fact that savings banks are not required to accumulate a surplus of stated ratio to their deposits in order to care for depreciation of securities and meet other contingencies which may arise, although the need of same is recognized in the wording of the law. Under the present law the trustees are required merely to set aside from the earnings an amount which in their judgment is sufficient for the above purpose.

A study of statistics will reveal an amazing variation in the judgment of boards of trustees in this matter; and when it is noted that banks have been in existence from forty to eighty years, accumulating several millions of the people's money and at the same time allowing their surpluses to depreciate to an amount equal to less than three per cent. of their deposits at the beginning of 1913, business men, be they bankers or not, will agree that something should be done in this respect at least. So the question resolves itself into not "should something be done?" but rather "how shall it be done without unjust discrimination either in favor of or against certain banks?"

There have been those who argued, even upon the floors of the Legislature of New York State, that surpluses in savings banks are unnecessary. But this fundamental requirement of sound banking was early recognized by our lawmakers, as we find in Chapter 254 of the laws of 1831, "an act concerning the Bank for Savings in the City of New York," providing for the gradual accumulation of a surplus fund, which should be held invested, not exceeding three per cent. of the amount of deposits, for the express purpose that, "in case of a reduction in the market price of the public stocks and securities held by the bank . . . any loss to the depositors may be prevented or made good by means of the said fund." In 1836 the maximum limit of surplus was increased to 10 per cent., and in 1839 a general law was passed authorizing the trustees of all savings banks to accumulate surpluses to that amount. Finally, in the light of experience, the General Savings Bank Law was passed in 1875, and amended in 1877, prohibiting savings banks from paying depositors more than five per cent. interest, and again raising the maximum limit of surpluses which might be accumulated to

15 per cent., at the same time providing that accumulations above that amount must be distributed in extra dividends to depositors.

It would seem that even in those days the tendency toward a smaller return upon savings bank securities had been recognized, as well as the need arbitrarily to limit the amount of interest payments to depositors in order to encourage the building up of larger surpluses, the need for which was becoming more and more apparent in view of the depreciation in market values. Is it not possible that we have again reached a point where it is desirable not merely to raise the maximum of surplus which may be accumulated, but also to set a minimum percentage of surplus which must be accumulated to protect depositors in savings banks?

There has been so much confusion in the use of the words "surplus" and "reserve" in connection with savings banks, it would seem that a better term, which accurately expresses what is meant by "surplus" to banker and layman alike, would be "guaranty fund." Let us therefore look over the State as a whole and note how the "guaranty funds" of the various banks stood January 1, 1913. By a careful analysis of the situation we find that at said date

10 banks had "guaranty funds" of from 10 per cent. to 15 per cent. of deposits.
11 banks had "guaranty funds" of from 8 per cent. to 10 per cent. of deposits.
37 banks had "guaranty funds" of from 6 per cent. to 8 per cent. of deposits.
43 banks had "guaranty funds" of from 4 per cent. to 6 per cent. of deposits.
16 banks had "guaranty funds" of from 3 per cent. to 4 per cent. of deposits.
23 banks had "guaranty funds" of less than 3 per cent. of deposits.

All but thirteen of the banks which have been in existence since 1890 or prior to that date show steady decreases in their "guaranty funds," some as much as from 28 per cent. in 1890 to 7 per cent. in 1913, and the aggregate "guaranty fund" of the State during the same period shows a decrease from 17.19 per cent. in 1890 to 7 per cent. in 1913. While the steady depreciation in the market value of savings bank securities is largely responsible for this decrease, another most important factor in the matter is that there has been a tremendous increase in the deposit liabilities of banks during the period mentioned, the bulk of which is due to that automatic increase which comes from the semi-annual credit of interest. In the banks paying 4 per cent. this automatic increase amounts to two-thirds of the whole increase; therefore, one cannot help but reason that the entire situation might have been strengthened if a little less had been paid to depositors in interest by some banks and the saving thus made applied to "guaranty funds." It has been the experience of a number of banks which have reduced their rate in conformity with the above reasoning that even the saving thus accomplished each interest period was more than offset by the market depreciation during the same period.

The above statistics furnish food for serious reflection, and as no one can foretell future market conditions accurately, should prices further decline to the point where these "guaranty funds" entirely disappear, and more too, is it not possible that the conscientious trustee will pause and ask himself whether he has the right to pay any depositors their money in full, when, if his assets were sold at the existing market, he could not pay all? A gentleman arguing along the same line not long ago used the following illustration:

"Suppose," said he, "five men leave one thousand dollars apiece with me, which sums I agree to return upon request, the understanding being that I shall invest this five thousand dollars and turn over to each individual the interest on the money. After a time, one of these five men demands his original one thousand dollars. In the meantime the bonds which I have bought at par have depreciated in market value to 80. Have I the right to pay the first man who makes a demand upon me his original one thousand dollars when I could only raise four thousand dollars (five bonds at 80) with which to pay them all?"

Of course, all the depositors of a savings bank could not demand their money at the same time, and if any considerable amount of its securities were dumped upon the market at one time, naturally the market would become demoralized. Also, no matter what the market, the earnings are unimpaired and a bank's ordinary obligations will be met. But the above question raises a point which by commercial bankers and business men would undoubtedly be decided in the negative. In other words, if at any time a savings bank's assets figured at what they would individually bring in the market do not equal its liabilities, would the bank morally have the right to pay any depositor in full? The troubles of the Yorkshire Penny (Savings) Bank of England did not arise from any run on the bank, but from the fact that the assets, computed at market (or liquidating) values, did not equal the liabilities.

The Savings Bank Committee of the Van Tuyl Commission, by their action in sending out a list of questions to savings bank trustees, have evidenced an open-mindedness and a desire for co-operation which is most commendable. Undoubtedly they have no desire to proceed hastily or arbitrarily, and are willing to recommend only that which will strengthen the position of the savings banks as a whole without injury to the smaller banks. Let us, therefore, see how the matter of "guaranty funds" is handled in other States.

In New England, where all savings banks are mutual, Maine requires its savings banks to set aside an amount equal to ¼ of 1 per cent. of the average amount due depositors during the previous six months till such guaranty fund amounts to 10 per cent. In Vermont an amount not less than ⅛ of 1 per cent. of the total amount due depositors must be so reserved annually up to 10 per cent. of such amount and other liabilities.

New Hampshire provides for guaranty savings banks having a limited capital in form of a paid-in guaranty fund and for the purely mutual bank. In both classes 10 per cent. of the net annual earnings must be set aside until guaranty fund equals 10 per cent. of the total amount due depositors. The guaranty fund may be increased by special depositors or others who shall receive a return thereon determined by vote. No savings bank in this State may pay over 3½ per cent. to depositors unless a guaranty fund of at least 5 per cent. has been accumulated, or its assets as valued by the banking commissioner exceed the liabilities by 5 per cent., and no savings bank which has less than a 5 per cent. guarantee fund may declare a dividend exceeding net income after providing for guaranty fund.

Massachusetts provides that an amount equal to not less than ⅛ or more than ¼ of 1 per cent. of total amount due depositors shall be set aside for a guaranty fund till same reaches 5 per cent., beyond which it must not be increased. If net income for preceding six months above amount so set aside does not amount to 1½ per cent. of deposits, no dividend is declared except such as may be approved by the commissioner. Whenever guaranty fund and undivided profits together amount to 10¼ per cent. of deposits, an extra dividend may be declared. Rhode Island's provisions are similar to those of Massachusetts, as are also those of West Virginia, but Connecticut says that an amount equal to ⅛ of 1 per cent. of total amount due depositors must be set aside from net income; that dividends must not exceed 4 per cent. annually and that the surplus must not be less than 3 per cent. or more than 10 per cent. of amount due depositors.

The provisions of Minnesota, Pennsylvania, and New Jersey are all similar to those of New York, but in Indiana from "gross gains" of savings banks not less than ½ of 1 per cent. nor more than 3 per cent. must be set aside until such fund amounts to 10 per cent. of total deposits, which, however, may be still further accumulated up to 25 per cent. And in Wisconsin, from net profits of a past six months' period, an amount equal to not less than ¼ of 1 per cent. or

more than 1 per cent. of the whole amount of deposits must be set aside until fund equals 10 per cent.

It is interesting to note that in many of the other States where all savings banks are stock institutions, besides a required amount of capital, there are provisions for guaranty funds which must be accumulated by setting aside certain percentages of earnings till said funds equal from 20 per cent. to 100 per cent. of the capital. Wyoming especially provides that the capital of savings banks must be held as a guarantee fund to make good any depreciation in the funds of the bank and must never be drawn for any other purpose; if so drawn it must be paid in ninety days. And Texas provides not merely for a guaranty fund to equal the capital stock, but also for a further indemnity fund which may accumulate till it equals 10 per cent. of the deposits.

To meet the situation in this State two principal methods have been suggested: first, that an amount equal to ¼ of 1 per cent. of the amount due depositors should be set aside semi-annually until such fund amounts to 10 per cent., which amount might be further accumulated to 20 per cent.; and second, that 10 per cent. of total earnings, less amortization, should be so set aside in order to attain the same result.

Taking the last report of the State Banking Department, which covered the year 1912, as a basis, during that year in this State

75 savings banks paid 4 per cent.
52 savings banks paid 3½ per cent.
3 savings banks paid 3½ and 4 per cent. (split rate).
9 savings banks paid 3 and 4 per cent. (split rate).
1 savings bank paid 3 per cent.

If the first method (setting aside ¼ of 1 per cent. of deposits semi-annually) were applied, the result would be as follows:

35 banks paying 4 per cent. would be obliged to reduce.
40 banks paying 4 per cent. would not.
8 banks paying 3½ per cent. would be obliged to reduce.
44 banks paying 3½ per cent. would not.
3 banks paying 3½ and 4 per cent. would not.
6 banks paying 3 and 4 per cent would be obliged to reduce.
3 banks paying 3 and 4 per cent. would not.
1 bank paying 3 per cent. would be obliged to reduce.

In other words, 90 banks could continue to pay the same rate of interest as at present, and 50 banks would have to reduce their rate—8 below 3½ per cent. and 1 below 3 per cent.

By the second method (setting aside 10 per cent. of total earnings) the result would be as follows:

26 banks paying 4 per cent. would be obliged to reduce.
49 banks paying 4 per cent. would not.
4 banks paying 3½ per cent. would be obliged to reduce.
48 banks paying 3½ per cent. would not.
3 banks paying 3½ and 4 per cent. would not.
4 banks paying 3 and 4 per cent would be obliged to reduce.
5 banks paying 3 and 4 per cent. would not.
1 bank paying 3 per cent. would not.

By this method 106 banks could continue to pay their present rate and 34 banks would be unable to do so, four being forced below 3½ per cent. In all but fifteen of the savings banks the amount set aside by the latter method would be less than by the first; in some banks very much less.

Manifestly the discrimination which either of these methods would cause would be decidedly unfair to the depositors in those banks which were discriminated against, and would not materially improve the situation as a whole for a long period of years; further, if the amount to be set aside is either increased or diminished, this discrimination would be far greater. How, then, if there is a sincere desire upon the part of the majority of the savings bank men of this State to do so, may this situation be remedied?

If a new system of savings banks was being instituted, either of the methods of accumulating guaranty funds mentioned above would accomplish a satisfactory result equitably; but the condition with which we are confronted is extraordinary—the result of nearly a century's existence—and must be met, if at all, with extraordinary methods and co-operation. Predicated upon this hypothesis, the following plan may be worthy of the consideration of the Van Tuyl Commission, or be productive of discussion among savings bank men which will result in evolving a better:

1. Provide that the minimum guaranty fund which must eventually be accumulated shall be equal to 10 per cent. of deposits and the maximum which may be accumulated be placed at 20 per cent.
2. Provide that for a period of five years no bank in the State shall pay over 3½ per cent. interest to depositors.
3. At the expiration of that period all banks having less than a 10 per cent. guaranty fund shall not be permitted to pay over 3½ per cent. to depositors.
4. If, at the expiration of ten years following the first five year period, any bank has not accumulated a 5 per cent. guaranty fund, said bank shall not be permitted to pay over 3 per cent. to depositors.
5. No bank shall be permitted to pay over 4 per cent. to depositors, and provision shall be made for extra dividends when guaranty fund amounts to more than 20 per cent. of deposits.
6. No new savings bank shall be permitted to open until a guaranty fund of at least $10,000 shall have been paid in in cash by its organizers, who shall receive a fair return upon their money, which shall be repaid from earnings of the bank, and said fund shall be maintained at 10 per cent. of the deposits until same amounts to $200,000, when previous recommendations shall apply.
7. The Superintendent of Banks shall be required to furnish a standard of market values twice a year, upon which shall be figured the guarantee fund of all savings banks.

By this plan, for a short period of time all banks of the State would be paying the same rate, thereby avoiding any discrimination by the public, and the whole system would begin to strengthen. At the end of the five year period the strengthening process would still continue, and as a large majority of banks would still pay the same rate, either from compulsion or choice, there would still be no unjust discrimination. It is inconceivable that any well-managed bank would not accumulate 5 per cent. by the end of the next ten years, but if there should be a tendency toward lax management, the fourth provision would effectively discourage it. If in 1877 it was deemed expedient to limit the rate paid to depositors to 5 per cent., which was then considered a low rate, surely present-day conditions and experience warrant a further legal reduction to 4 per cent. And if all of the foregoing is to be considered at all, the need for the provisions regarding new savings banks and a uniform standard of market values is obvious.

Some savings bank men, while admitting the necessity for a guaranty fund, argue that after a small percentage has been accumulated they are taking money out of their depositors' pockets to reduce the rate of interest for the purpose of adding to the fund. In the light of recent markets and dwindling prices, it is fair to assume that the thoughtful depositors will applaud all efforts to place their money beyond any chance of loss, and will be willing to pay for such insurance in a slightly reduced return.

As food for further reflection, the following matters, not indicated in the list of questions sent out by the Savings Bank Committee of the Van Tuyl Commission, might also be given some profitable consideration by that body:

1. In order to prevent the over-appraisal of bank buildings and land, the advisability of an appraisal of all bank properties by the banking department at least once in every five years.
2. In order that savings banks may be placed beyond all suspicion of operating in any selfish interest, the advisability of making it unlawful for any trustee to act as agent in the matter of fire insurance, etc., or for the counsel of any savings bank to be a member of its board of trustees.
3. In order that depositors in interest depart-

ments of commercial institutions may have a degree of protection not now enjoyed (in lieu of any segregation law, which apparently is impossible of passage in this State), the advisability of providing that depositors in interest departments of commercial institutions shall be preferred creditors, in like manner as savings banks are now preferred creditors with said institutions.

4. In order to promote a larger co-operation between the savings banks and the State, as well as among savings banks, the advisability of providing a separate department for savings banks in charge of a deputy superintendent of banks who shall be an expert in savings bank matters.

5. The advisability of the Banking Department at least semi-annually publishing a list of bonds that are legal investments for savings banks.

6. The advisability of abolishing the days of grace during which deposits may be made in savings banks and savings departments of commercial institutions to draw interest from the first of any interest period.

7. The advisability of providing, under proper restrictions, for the pensioning of employees of savings banks.

8. The advisability of permitting the consolidation of savings banks where it appears that the best interests of depositors would be served thereby.

The savings bank men of New York State have an opportunity in connection with this pending legislation not alone to formulate a law which shall be standard for all other States, but also to demonstrate beyond peradventure that they are still prompted only by the great benevolent motives which inspired the organization of our first savings banks. In any event, decided steps should be taken toward securing legislation which will definitely settle the question of guaranty funds, the continued agitation of which does not make for the best interests either of the public or the banks.

PAMPHLETS FOR MEMBERS OF SAVINGS BANK SECTION.

A NEW edition of our pamphlet "How to Operate a School Savings Bank," containing five methods, together with laws of various States relating to school savings banks, has just been received; also a new edition of the pamphlet "Absolute Identification," treating of the finger-print method.

We have also a small number of the following pamphlets: "The Ethics of the Savings Bank," by Wm. E. Knox, Comptroller Bowery Savings Bank, New York; "European Land and Rural Credit Facilities," by Edwin Chamberlain, Vice-President San Antonio Loan & Trust Co., San Antonio, Texas.

Any or all of these pamphlets may be had upon application to E. G. McWilliam, Secretary Savings Bank Section, 5 Nassau Street, New York.

PUBLICITY POINTER.

IT has been suggested that our little brown book entitled "Talks on Thrift Containing Publicity Pointers for Banks" would be good advertising to put out in the name of any bank desiring to build up its savings department. Therefore, in reply to inquiries we are enabled to state that this book can be supplied with any bank's name substituted for that of the Association on front and back covers, at the following prices, which are the printer's prices to us: 1,000 copies, $100; 2,000 copies, $140; 3,000 copies, $185. Expressage to be paid by purchaser. All orders will receive prompt attention from E. G. McWilliam, Secretary Savings Bank Section, 5 Nassau Street, New York City.

DOCUMENTS FOR DISTRIBUTION.

THE Association has on hand a quantity of printed matter. The list comprises the following documents, any of which will be sent to our members on notifying the office:

Bills of Lading.

New Uniform Bills of Lading.

Constitutionality of Proposed Act (H. R. 14934). Pennsylvania Speech—L. E. Pierson.

Little Rock, Arkansas, Speech—Thomas B. Paton.

Jamestown, Virginia, Speech—Thomas B. Paton.

Oklahoma Speech—Evans Woollen.

Report of Committee to 1908 Convention at Denver, with Appendices.

Report of Committee to 1909 Convention at Chicago, with Appendices.

Report of Committee to 1910 Convention at Los Angeles, with Appendices.

Proceedings of Joint Conference between bankers, carriers, shippers, etc., held at Chicago, September, 1909.

Currency.

Report of the Currency Commission of the American Bankers Association, 1907.

Report of Currency Commission of American Bankers Association, made at a meeting held at Chicago, Saturday, January 18, 1908.

Statement of Currency Commission of American Bankers Association presented to House Committee on Banking and Currency, at Washington, D. C., Wednesday, April 15, 1908.

Credit Currency. By Elmer H. Youngman, Editor "Bankers' Magazine."

Report of Committee on Banking and Currency on the "Issue and Redemption of National Bank Guaranteed Credit Notes," Fifty-ninth Congress, Second Session, 1906-7.

Anderson, F. B., "The Need of Banking and Currency Reform."

Case, J. H., "Desirability of Commercial Paper as a Bank Investment."

Miscellaneous.

Guaranty of National Bank Deposits. By James B. Forgan, President First National Bank, Chicago, Ill., before the annual meeting of Group Two of the Bankers' Association of the State of Illinois, held at Peoria, June 11, 1908.

General form of Articles of Association to be used in the organization of Clearing House Associations in the smaller cities and towns.

Report of Special Committee, Trust Company Section, September 13, 1904, on the Classification of Legal Decisions relating to Safe Deposit Companies, Rules and Forms.

Address by Jordan J. Rollins before the Trust Company Section, September 14, 1905, on "The Protection of Trust Companies Acting as Transfer Agents and Registrars."

Forgan, J. B., "Clearing House Examinations by Clearing House Examiners."

Reynolds, Arthur, "Some Aids to the Solution of Our Financial Problems," "The Unsettled Currency Problem."

CLEARING HOUSE SECTION

CLEARINGS AND TRANSACTIONS.

IT is the complaint of statisticians that they must depend upon incidental reports for their banking figures, notably the reports of the Comptroller of the Currency and the weekly reports of clearings as published in the financial press. Unfortunately, the Comptroller's tables cover only the National banks, although fairly accurate results have been obtained recently which include practically all banks. All authorities seem to accept bank clearings without ever questioning their accuracy or taking into consideration all the factors which affect fluctuations. Fortunately, there is very little actual padding now indulged in, yet important differences exist as to the nature of the items cleared, the manner of settlement, number of banks clearing, and other minor features of banking which rob clearings of a considerable part of their value.

From the viewpoint of clearings most cities should be considered separately, taking into consideration every element that affects the banking business of that city. Let us illustrate with a few concrete examples:

The first five cities in population and banking resources, New York, Chicago, Philadelphia, St. Louis, and Boston, come in practically the same order (Boston and St. Louis being reversed) as to the yearly total of bank clearings. Beyond these cities there is only an occasional instance of a city maintaining a close relative position between size and clearing totals, as, for example, New Orleans, which is fourteenth in point of population, occupied the same position in the 1913 table of clearings. Owing to recent consolidations in New Orleans this condition will probably be changed during the current year.

Cleveland and Kansas City furnish the most interesting comparisons. The former, the sixth city of the country, is about thirteenth as to volume of clearings. This is, of course, due to the fact that there are comparatively few banks in Cleveland, and further, each of the large banks there receives a great number of direct remittances of checks which, of course, are not cleared. Kansas City, on the other hand, is one of the most important clearing centers in the country, and although eighteenth in point of population, it is seventh in the order of clearing checks.

Another angle is the importance of the city as a reserve center. Buffalo, the tenth city, is not a reserve city, and we find it about twentieth in point of clearings. Washington, the fifteenth city, although a reserve city and having a good proportion of its banks in the clearing house, is nevertheless twenty-fifth as to volume of clearings, no doubt due to the fact that it is a residential rather than a business or manufacturing center.

Turning to total bank transactions, which we believe to be the true method of estimating and comparing banking statistics, we find that these figures reflect true conditions and that they are subject to only one important variant, that being the position the city occupies as a reserve center. We may compare the three cities, Detroit, Cincinnati, and Los Angeles, which are among the representative cities which have been furnishing us with the total transaction figures. The clearings of these three reserve cities, affected either one way or the other by the various factors we have mentioned previously, do not vary widely. Over a period of three months the average weekly clearings of Los Angeles have been 22 millions, those of Detroit 26 millions, with Cincinnati between these two extremes at 24 millions. The proportion of bank deposits to individual deposits in Los Angeles and Detroit is about 10 per cent., while in Cincinnati it is over 20 per cent. Hence we find that Cincinnati's total bank transactions over this same period were 77 millions, as compared with only 36 millions for Los Angeles and 59 millions for Detroit. The low figure of the coast city is probably due to the custom of using gold in preference to notes. There are no gold "one's and two's," hence the average person would naturally carry more money around in his pockets and would be less apt, therefore, to use checks. This may be a grotesque theory, and we should like some of our coast friends to explain the figures. Perhaps a partial explanation is the fact that Los Angeles is an important residential center, affected by the same conditions we find in Washington; but, whatever may be the true reason, there seem to be fewer "check transactions" in Los Angeles than in other cities of its class.

The average percentage of checks passing through the exchanges of the clearing house is 40 per cent. This proportion varies and seems to be affected by the same conditions that affect the fluctuations of clearings. The rule seems to be that the larger the proportion of bank deposits to individual deposits, the smaller will be the figure representing this ratio. In Cincinnati, for example, it is 31.4 per cent., while in Los Angeles it is 59.7 per cent. However, the general average is about 40 per cent., and applying this ratio to the weekly total of clearings in the United States, making due allowances for the non-reporting cities, we can safely estimate the total check transactions to be 10 billion dollars weekly. This gives us a deposit-subject-to-check turnover of about once in seven days. This estimate coincides with the result of the calculations of two eminent statisticians who arrive at their conclusions in an entirely different way.

The Federal Reserve Act will materially alter the figures of clearings, since checks will follow different channels and settlement will be made on a different basis. New trade barometrics are, therefore, in order, and the best statistics available by which to calculate the volume of trade, velocity of check circulation, and the use of banking facilities are the total charges against deposit liabilities. These figures are easy to get at and they will prove of value not only to the business public, but to the banks themselves. The

figures of the cities now reporting to us will be published from time to time during the year, using the 1913 total for comparison.

Why not include your city in the list? Details will be explained by the Secretary, and the Manager of your Clearing House will be furnished with postcards upon request.

CLEARING HOUSES AND THE FEDERAL RESERVE ACT.

THERE is no question but that many of the principles underlying the Federal Reserve Act owe their origin to clearing house experiences, or, rather, it would be more correct to say that many of the provisions which should have been included in the National Bank Act were, of necessity, taken care of by clearing house administration during the past fifty years, and these provisions omitted from the National Bank Act have been written into the Federal Reserve Act.

The question now before the clearing houses of the country is, therefore, what effect will the new bill have upon clearing house organization throughout the country? It is too early to make any other than a general statement, and at this writing it appears that in the larger cities, or at least those centers which will contain either a Federal reserve bank or a branch bank, many of the functions of the clearing house committee will be taken over by the Federal Reserve Board or its officers. On the other hand, in the smaller cities and towns a clearing house organization is more necessary than before. Without doubt, the majority of clearing houses which hold their annual meetings in January will give consideration to the effect of the new bill upon local conditions, and as soon as the officers and Executive Committee of the Clearing House Section have given more study to the new bill we shall be able to discuss more intelligently the matters of particular moment to the members of our Section.

KEY TO THE NUMERICAL SYSTEM.

AN arrangement has been made whereby it will be possible hereafter to use the Numerical System in connection with bank names in sending code telegrams. A bank name which may require, under present methods, from three to seven words, can be sent under the combination Code-Numerical System method in two words. A Key to the System, containing both an alphabetical and a numerical list of every bank in the United States, can be secured from the Clearing House Section for $1.50 per copy.

THE BOOK OF FORMS FOR NATIONAL AND STATE BANKS.

WE are still able to supply copies of this book to members of the American Bankers Association at $5 per copy. The underlying principles of bank accounting are well illustrated in the forms shown in this book and enough text has been added to explain the fundamentals of an efficient accounting system. Subscribers to the book will be entitled to receive, free of charge, additional forms as changes in banking practices may occasion. As soon as the new system of banking becomes well established and incidental forms are evolved, we propose to send new forms to all purchasers of the book.

Send remittances in New York funds to the Clearing House Section, American Bankers Association, Five Nassau Street, New York City.

SETTLEMENT OF CLEARING HOUSE BALANCES.

ONE of the departures from long-established customs that will probably result from the establishment of Federal Reserve Banks will be the method of settlement of clearing house balances. Assuming that the majority of the members of the clearing house will join the new system, it will be possible to effect a daily settlement without the use of money but on as sound a basis as before.

The great convenience of the clearing principle as applied to the settlement of trade differences lies in the fact that credits are used to offset debits and only enough actual money is needed to pay the balances arising. The final step is now possible, farther than which scientific banking cannot go.

At the present time the debtor banks are given a certain time in which to call at the clearing house and pay their balances due. After all have paid in, the creditor banks receive the amount due them. The clearing house has acted as agent, although practically a fictitious debtor and creditor of the member banks. After the Federal Reserve Bank is established —in New York, let us say—the manager of the clearing house will present his balance sheet to the Federal Reserve Bank which will debit the accounts of the debtor banks and credit the balances of the creditor banks, the whole transaction being a matter of book entries, requiring possibly ten minutes of the head bookkeeper's time. Compare this with the work of going to the bank vault, counting out the required amount of clearing house gold certificates, having another officer or teller certify the count, making proper entries in the vault and reserve cash records, sending one or two men to the clearing house where further records and receipts are required. The process is then reversed as the amounts are paid over to the creditor banks. Three score banks go through this, or a similar process, every day in New York alone.

The accounting is only a part of the saving. Clearing House currency certificates were long ago adopted to eliminate risk and to avoid the counting and recounting of large sums of money to say nothing of the useless wear and tear upon gold. To issue these certificates, maintain a depositary and safeguard it day and night from within and without, accounts for no small part of the annual expense of the clearing house.

What will become of the gold thus released, and which now serves the additional function of reserve? The new law reduces the amount of specie reserve required from 25 per cent. to 6 per cent., although central reserve city banks will likely carry an amount above this minimum. Stock of the Federal Reserve Banks must be paid for in gold or gold certificates, it being the intent of the law to make the new banks the reservoirs for our reserves of the precious metal.

There is nothing new in this plan. The London Clearing House uses it in connection with the Bank of England. The Federal Reserve Bank will no doubt be a member of the clearing house on "one side" only, that is, it will charge the checks it has on other member banks through the exchanges and the drafts which they hold payable at the Reserve Bank will be deposited in the regular way. It will be noticed that the provision in the Federal Reserve Act which applies to the clearing house functions of the new banks is discretionary with the Reserve Board. It will probably never be necessary to put it into effect if the local clearing houses co-operate with the Reserve Banks and their branches, unless the bankers, refusing to read the signs of the times, continue to collect country checks without any regard to correct clearing house principles.

STATE SECRETARIES SECTION

OFFICERS, 1913-1914.

PRESIDENT:
WILLIAM J. HENRY, Secretary New York State Bankers' Association, New York City.

SECOND VICE-PRESIDENT:
T. H. DICKSON, Secretary Mississippi Bankers' Association, Jackson.

FIRST VICE-PRESIDENT:
W. W. BOWMAN, Secretary Kansas Bankers' Association, Topeka.

SECRETARY-TREASURER:
P. W. HALL, Secretary Iowa Bankers' Association, Des Moines.

CONVENTIONS TO BE HELD IN 1914.

May	12-14	Alabama .....Decatur
"	19, 20	Missouri.....Place not decided
"	21-23	Kansas .....Wichita
"	27-29	California .....Oakland
June	24, 25	South Dakota .....Aberdeen
"	——	South Carolina.....Isle of Palms

Date not decided. Am. Inst. of Banking..Dallas, Texas
Oct. or Nov. Amer. Bankers Assn....Richmond, Va.

PROTECTIVE WORK OF STATE BANKERS' ASSOCIATIONS.

Minnesota Bankers' Association,
Office of the Secretary.

December 18, 1913.

WANTED FOR ISSUING FRAUDULENT CHECKS.

Professional Bogus Check Man—Very Dangerous.

This party is very skillful in penmanship and also prints his own checks on safety paper. They are usually so cleverly executed that they do not cause suspicion. Under the name of Joseph Morris he was discharged from the Missouri Penitentiary about October 1, 1913, and is now working in the Northwest under the aliases of Joseph M. Clark, Harry Myers, Joe Sherman, F. M. Sherwood, etc. Uses a protectograph, and sometimes prints and perforates the amounts in the body of the checks as well as the name of the payee. Description: Age, 33; height, 5 ft. 8 in.; weight, about 150 lbs.; build, medium; hair, dark; complexion, medium dark; nationality, Jew; thick lips; inveterate cigarette smoker. In addition to defrauding several hotels, party deposited a fraudulent draft in a Minneapolis bank, expecting to check on this credit before an advice of nonpayment was received, having previously established an acquaintance at the bank by stating that he was about to receive the money. If he makes his appearance in your town, please wire this office immediately at our expense.

Nebraska Bankers' Association,
Office of the Secretary.

Omaha, Neb., December 5, 1913.

$500 REWARD.

At 4.00 P.M., Thursday, December 4th, the Primrose State Bank, of Primrose, Nebraska, was held up and robbed of $4,000. The Nebraska Bankers' Association offers a reward of Five Hundred Dollars ($500) for the arrest and conviction of the person or persons committing this crime. Above reward to remain in force for one year from date, and to be paid under the rules and regulations of the Protective Committee of this Association.

Wire information to this office at our expense.

Michigan Bankers' Association,
Office of the Secretary.

Detroit, Mich., December 6, 1913.

Bulletin No. 167.

WARNING.

A party by the name of John Klug, who had an account with the Citizens State Bank, of South Haven, during the summer, has been issuing checks in Chicago and Muskegon on this bank. Some of these checks have been signed John Klug, and others Geo. Koch and Geo. Kochel, but drawn to John Klug. He closed his account with that bank soon after starting, and it is evident now that his purpose was to secure a check book. The checks have been for $10 or less. He is about 5 feet 8 inches in height, heavy set, smooth shaven, with a coarse forbidding face and manner. Members are warned against these parties and the use of these checks.

Missouri Bankers' Association,
Office of the Secretary.

Sedalia, Mo., December 9, 1913.

WARNING.

A member reports that a man giving the name H. A. Conrad is passing forged voucher-checks purporting to be drawn by the Thomas B. Jeffery Co., Chicago, per J. A. Rose, Cashier, and W. M. Lawson, Treasurer, and made payable to H. A. Conrad. We are advised that the voucher-checks were stolen from the office of the Thomas B. Jeffery Co., and have the appearance of being genuine, but that they were filled out after being stolen, and the signatures forged. Our member describes Conrad as being a man about 45 years old, 6 ft. tall, weighs about 200 lbs., smooth face, ruddy complexion, dark hair. Dresses well and makes good appearance. Wore dark suit, long dark overcoat, checked automobile cap, and low-cut shoes. Carried a membership card of the Chicago Athletic Club. Arrest and wire this office.

One of our members at Cape Girardeau, Mo., informs us that John E. Flentge is passing worthless checks in various parts of the country, and describes him as follows: 22 years old; about 5 ft. 10½ in. tall; weighs about 145 lbs.; slender build; light com-

plexion: light brown hair; full, round face; and pleasing talker. Has a woman with him, whom he represents to be his wife. The woman has with her two boys, 5 and 7 years old, with very black, curly hair. She is described as follows: About 5 ft. 7 in. tall; slender build; dark complexion; and very black hair. When last heard of Flentge was in Louisville, Kentucky. We understand from our reporting member that this young man's father, Mr. E. W. Flentge, of Cape Girardeau, Missouri, offers a reward of One Hundred Dollars ($100) for the arrest and detention of John E. Flentge. Arrest and wire this office and Mr. E. W. Flentge, Cape Girardeau, Mo.

LOST!

Certificate of Deposit No. 6964 for $2,000, dated November 24, 1913, issued by R. S. Jacobs Banking Company, of Greenfield, Mo., for a period of six months, payable to J. R. Vice.

Sedalia, Mo., December 26, 1913.

$75 REWARD!

A member at Farley, Missouri, reports that it has been defrauded by means of a forged check payable to a man answering the following description: Name, M. (Marshall) S. Williams; residence, probably Leavenworth, Kan.; occupation, harvest hand while at Farley; age, 23 to 25 years; weight, 160 to 165 lbs.; complexion, sandy; color of hair, light; height, 5 ft. 10 in. or 6 ft.; color of eyes, blue; style of beard, smooth shaven; color of beard, sandy. Features, scars, etc.; medium large features; high forehead; claims to have been shot in one of his legs. Remarks: The check in question was cashed at Leavenworth, Kan.; Williams claims that he formerly lived in St. Louis, that his mother lives there now, and that he has a sister living in Denver.

For the apprehension and conviction of Williams on the crime stated above, the Missouri Bankers' Association offers a reward of Seventy-five dollars ($75). Reward to remain in force for a period of one year from the date of this notice, and to be paid according to the by-laws and rules of said Association. Arrest and wire this office and the Sheriff of Platte Co., Mo. BE ON YOUR GUARD ALL THE TIME!

LOST OR STOLEN!

Certificate of Deposit No. 177 for $700, dated October 11, 1913, issued by the Farmers Bank of Hale, Mo., for a period of six months, payable to J. P. Hansen. The owner of the certificate was in Omaha, Neb., recently, and while there his pocketbook containing this certificate was stolen.

Illinois Bankers' Association,
Office of the Secretary.

December 11, 1913.

Bulletin.

WARNINGS.

Blank checks stolen from a reputable manufacturer have been used to defraud banks and others in Illinois. Several are outstanding. This with various aliases, J. M. Turner, F. J. Ryan, etc., has worked as far south as Cairo. Description: Age, 32 years; height, 5 ft. 10 in.; weight, 160 lbs.; hair, medium; complexion, fair; smooth shaven; wore dark suit and black stiff hat.

A man representing himself as Anton Post, alias John Halter, Otto Weber, opened an account in a Chillicothe Bank, depositing $50; after having his check for $35 certified, he raised the amount to $3,500. He also had a duplicate deposit slip receipt for $50 to which he prefixed the figures 42, making the amount of deposit read $4,250. The fraud was discovered before any loss was sustained. At a preliminary trial December 6, Post was held for the grand jury of Cook County under $10,000 bonds. He is described as follows: Age, 50 years; height, 5 ft. 8 in.; weight, 190 lbs.; hair, brown, mixed gray; full face; smooth shaven; prominent white scar on neck; middle finger right hand amputated; looks like a farmer. Further evidence is required to insure conviction. Has he been seen at your bank?

An individual is having quite a successful career circulating checks of small amounts in Illinois. He has operated in Ohio and Indiana and is now using checks drawn on the First National Bank of Shelbyville, Ind. The checks bear the printed form "Wilson-Washburn Nursery" "Agents Commission Pay Checks." A number of the checks were made payable to E. C. Allen; the names C. H. Murphy, C. P. Black, and Jos. Fenton have also been used. There is no firm or Company of the name of Wilson-Washburn Nursery at Shelbyville, Ind. The man is described as follows: Age, 45 years; height, 5 ft. 11 in.; weight, 185 lbs.; hair, black, slightly gray; mustache, heavy black; complexion, dark; eyes, small, squinty; when walking shoulders are slightly stooped.

We have received a report that a man representing himself as an agent for the Illinois Fire and Accident Co., of Springfield, Ill., is passing bogus checks in this State. This same party was reported in our Fraud Bulletin of November 11, 1912. He has used the names of C. H. Hamilton, H. E. Martin, etc., and has represented himself variously as agent for the German Commercial Accident Co. and the National Fire and Accident Co. This man was in Clinton, Ill., on the 20th ult. Description: Age, 30 years; height, 5 ft. 8 in.; weight, 140 lbs.; blue eyes, dark brown hair, smooth shaven.

Felix Nelson (colored) is wanted for passing a bogus check drawn on the bank of St. Mary, Mo., payable to the order of Chas. Murphy and signed Tom Murphy for the sum of $15. Nelson cashed this check at a Chester, Ill., bank (M) securing identification through a forged letter purported to be signed by Chas. Murphy by whom he had been employed. Nelson is described as follows: Age, 25 years; short and stocky build; smooth face.

A clever forger has a method of ascertaining a depositor's signature, which he forges upon a check and presents at some bank for payment. He recently negotiated a check in Oblong, Ill., and several banks in the neighborhood have been defrauded. This crook has had special checks printed and used fictitious firm names. Description: Age, 22 years; height, 5 ft. 6 in.; medium hair, rather light; front teeth large, lower front teeth filled with gold; wore dark brown suit, soft hat and tan shoes.

Bogus checks are being circulated in the southern part of the State. This crook used a numbering machine and a Beebe protecting machine. He has checks of the Alton National Bank and a rubber stamp reading "Sweetser Lumber Co. Pres. and Tr's." and writes checks for small amounts payable to cash. He used the name of R. A. Gaddis. In his operations he may use other bank checks, rubber stamps, names, etc. To protect banks and others be on the lookout for this party and cause his arrest. Description: Age, 30 years; height, 5 ft. 10 in.; weight, 150 lbs.; dark hair, smooth face; complexion, fair; dresses like an office man; makes a good appearance.

Advice has been received that a party using the name of J. B. Trevor is active in the State in cashing fraudulent checks, drawn on the Union Trust Co. of Chicago. In one instance he stated he represented the American Art Co., of Chicago. Description: Age, 45 years; height, 5 ft. 8 or 9 in.; weight, 200 lbs.; hair, light brown; eyes, large, protruding; dark blue rings under eyes; full round face, smooth shaven; wore brown soft hat with brown velvet band; light weight overcoat; dark suit; fluent talker.

A party representing himself as P. J. McManus negotiated bogus checks at Roseland and Pullman. The checks were drawn on the Harris Trust and Savings Bank, payable to P. J. McManus and signed Joseph T. Ryerson & Son, prominent manufacturers of Chicago. Warrant in hands of Chicago police department, 34th precinct. Description: Age, 33

years; height, 5 ft. 9 in.; medium build, light brown hair, smooth shaven; wore a black derby hat and dark clothes.

A man representing himself as R. I. Tabb is soliciting among bankers of the State to subscribe to a course of Business Psychology. He was recently heard from at Peoria, Ill. He has printed forms for his purpose. Warrant for arrest in hands of Chicago police department, detective bureau.

One Roy Darlington, alias Oscar Deutch, forged a check drawn on a member bank in Central Illinois. He also tried to draw against this bank from Decatur, Ill. We understand that Darlington is now in the custody of the Sheriff of McLean County. He is described as follows: Age, 27 years; height, 6 ft.; eyes, crossed; wears cap, tan mackintosh.

$200 REWARD.

This amount is offered by the Thomas B. Jeffery Company for the arrest and conviction of a party passing stolen voucher checks. About twenty-five handsome voucher checks of The Thomas B. Jeffery Company, drawn on the Corn Exchange National Bank, Chicago, Ill. (folded voucher forms, printed with an elaborate buff colored safety tint, type in red and black), were stolen and reported in our circular of August 23, 1912. These are again being negotiated in this territory for amounts close to $100 each, and are dangerous. Look out for this genial individual who may have a letter enclosing one of the forged checks addressed to himself in care of your bank. These are filled in with typewriter and purport to be for salary, commission and expenses. The name of H. A. Cooper was formerly used in some cases, recently the name of H. A. Conrad has appeared as payee. The party negotiating these vouchers is described as follows: Age, 40 years; height, 6 ft. 1 in.; weight, 225 lbs.; eyes, blue; hair, brown and thin; complexion, tanned; smooth shaven; nose, prominent; teeth, good; generally presents a good appearance.

Michigan Bankers' Association,
Office of the Secretary.
Detroit, Mich., January 2, 1914.

BULLETIN 169.

Information.

The Nursery Company bogus check worker referred to in our Bulletin Nos. 148, 156, 162, has been apprehended in Ohio and turned over to the Pinkertons, who have a good case against him. We feel sure that this particular party will not gain his freedom, but our members should ever be on their guard against other forgers. The real name of this forger is Edwin A. Curtis, who used the following aliases: A. C. Curtis, D. P. Fargo, C. H. Reed, J. A. Simmons, C. Fargo, C. P. Speth, C. A. Watson, A. C. Cummings, C. H. Murphy; and the following names of Nursery Companies: Sherwood Nursery, Phoenix Nursery, Standard Nursery, and Fenton Nursery Company. Curtis was caught in a bank all due to the Ohio Association bulletin.

A party claiming to be Ed. S. Croul presented checks signed by Mary A. Miller and cashed them in the towns of Hartford and Lawton. He has been apprehended and is now in the Van Buren County jail, awaiting the January term of court.

Warning.

Please refer to your bulletins Nos. 155-159, showing the operations of a forger who has in his possession a check book of the First Commercial & Savings Bank, Wyandotte, also one of the River Rouge Savings Bank. This time we find him operating under another name, a check having been recently made out to Geo. R. Cole and payable to Edward Vincent on the River Rouge Savings Bank. Check was certified by S. O. Barnes and endorsed by Edward Vincent, 335 Artillery Ave. This check was given in exchange for goods purchased at a dry goods store in Detroit. Our members should warn their customers against cashing checks for strangers.

Washington Bankers' Association,
Office of the Secretary.

WARNING.

Tacoma, Wash., December 23, 1913.

No. 296.—FORGED CERTIFICATION.—In view of the fact that many frauds have been perpetrated by raising the amount of certified checks, say $8 to $80, the Protective Committee hereby recommends that all banks in certifying checks should write the limit of the amount across the certification, and it would be well to stamp the exact amount by a perforator or protector. Be sure to put in the vault at night the stamp used for certifying checks, so that it will not get in the hands of some unauthorized person and be used improperly.

No. 297.—LOST TIME CERTIFICATES OF DEPOSIT.—The following Time Certificates of Deposit, issued by the Pullman State Bank, of Pullman, Wash., in favor of E. L. Mennett, were taken from him. Payment has been stopped: May 31, 1913, No. 22,948, $100; June 13, 1913, No. 22,965, $100; July 3, 1913, No. 22,988, $100; October 1, 1913, No. 23,090, $200. If presented, obtain particulars, hold, and advise the bank.

No. 298.—BAD CHECK MAN CAUGHT.—Through the vigilance of the officers of the Orient State Bank a bad check man who attempted to pass a bogus check drawn on the First State Bank of Marcus was arrested and is now awaiting trial. Description: Says name is Chas. H. Davis; not a good writer; about 5 feet 7 inches tall; dark, small eyes; dark hair; keeps his hat pulled down over his head a good deal; chews tobacco and smokes cigarettes; weight about 140 pounds; claims to be a cook; was wearing stagged pants and a U. S. Forestry Service shirt and high-topped shoes.

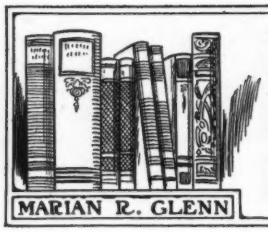
No. 299.—H. D. STANLEY AGAIN ARRESTED.—Rev. H. D. Stanley, who has frequently defrauded our members by passing small bogus checks for $5 or $10, drawn by himself, on banks where he had no account, was arrested last month in Spokane and sentenced to 90 days in jail. He identifies himself by exhibiting clergy certificate No. 1,594, issued by Trans-Continental Clergy Bureau of Chicago, which has since been revoked. Members are earnestly warned not to cash any checks for him. Description: Age, 52 years; height, 5 feet 10 inches; weight, 192 pounds; build, medium stout; complexion, medium.

No. 300.—COUNTERFEIT BANK OF MONTREAL BILLS.—Advices from Vancouver, B. C., state that forged bills of the Bank of Montreal of the denomination of $20 are in circulation. The counterfeit is on thick, hard paper and seems to be a photographic reproduction of a pen and ink sketch, and is poorly finished. So far they have been dated Jan. 3, 1911, and are countersigned J. Rogers and M. Rogers.

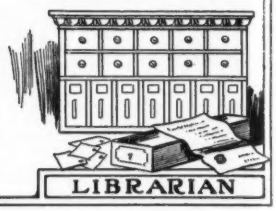
No. 301.—One Allan A. Besoloff has defrauded one of our members by a bogus check. Description: A Russian; age, about 25 years; height, 5 feet 9 inches; brown hair and eyes; weight, 180 pounds; speaks broken English.

No. 302.—Members are cautioned to be on the lookout for parties taking subscriptions for Collier's Weekly and other magazines, who take notes for such subscriptions and then sell the notes to banks at a liberal discount. The notes are usually taken due in six months to give ample time to make a safe "get-away" by the fake subscriptions agents who are working this fraud. The magazines, of course, do not authorize agents to take subscriptions in this manner.

No. 303.—BOGUS CHECKS.—The country is full of bogus check men. Look out for worthless checks, bogus sight drafts, forged telegrams, etc.



LIBRARY AND REFERENCE DEPARTMENT



MARIAN R. GLENN — LIBRARIAN

SAVINGS DEPOSITS.

THE Association Library is well supplied with information on savings deposits, a subject upon which little is to be found in the general books on banking. It will be necessary to restrict the use of loan material to one week during the preparation of essays on savings deposits by New York Chapter A. I. B. members for the Cannon prize competition. In addition to the loan collection, the following information can be consulted at the Library, which is open daily from nine until five o'clock and on Saturday until one o'clock.

A. B. A.—Discussion of Segregation of Savings Deposits. (In A. B. A. Proceedings, p. 253, 1909.)

A. B. A.—Resolution Recommending, as a Substitute for Postal Savings Banks, the Maintenance of Separate Savings Bank Departments in the National Banking Associations now Operating Under the Law. (in A. B. A. Proceedings, p. 253, 1909.)

A. B. A.—Federal Legislative Committee. Report. (In A. B. A. Proceedings, p. 310, 1910.) Text of Proposed Bill to Regulate Savings Deposits in National Banks, p. 212.

A. B. A.—Savings Bank Section—Discussion on Proposed Resolution for Segregation of Savings Deposits. (In A. B. A. Proceedings, Savings Bank Section, p. 70, 1909.)

A. B. A.—Savings Bank Section—Discussion: Segregation of Savings Deposits. (In A. B. A. Proceedings, p. 575, 1910.)

A. B. A.—Savings Bank Section—Law Committee—History of the Movement for the Safeguarding and Investment of Savings Deposits. (In A. B. A. Proceedings, p. 598, 1910.)

A. B. A.—Trust Company Section—Discussion: Segregation of Savings Deposits in Trust Companies. (In A. B. A. Proceedings, Trust Company Section, p. 65, 1909.)

A. I. B. Bulletin—Debate: Resolved, That Commercial and Savings Business Should be Handled by Separate Banks. (In A. I. B. Bulletin, Vol. 8, p. 473, June, 1907.)

A. I. B. Bulletin—Trust Companies and Savings Accounts. (In A. I. B. Bulletin, Vol. 13, p. 297, May, 1910.)

Anderson, A. C.—Savings Departments in Commercial Banks. (In South Dakota Bankers' Association, p. 24, 1905.)

Bankers' Magazine—Plan to Safeguard Savings. (In Bankers' Magazine, Vol. 80, 1910, pp. 291, 377.) Recommendations Made by O. H. Cheney, Superintendent of Banks in New York State.

Bankers' Magazine—Savings Departments in Commercial Banks. Vol. 68, 1904, p. 367.

Bankers' Magazine—Segregation of Savings Deposits in New York. Vol. 80, 1910, p. 730.

Banking Law Journal—The Operation of Savings Departments by National Banks, State Banks and Trust Companies. Vol. 24, 1907, p. 503.

Banking Law Journal—Savings Departments of National Banks. Vol. 22, 1905, p. 308.

Banking Law Journal—Savings Departments in National Banks. Vol. 22, 1905, p. 403.

Banking Law Journal—Savings Departments of National Banks. Vol. 23, 1906, p. 685.

Banking Law Journal—Savings Deposits in Commercial Banks. Vol. 26, 1909, pp. 686, 767.

Banking Law Journal—Savings Deposits in National Banks. Vol. 25, 1908, p. 986.

Banking Law Journal—Separation of Banking and Trust Company Functions. Vol. 15, 1912, p. 316.

Carpenter, C. R.—Segregation of Savings Deposits. (In Wisconsin Bankers' Association. Proceedings, p. 194, 1910.)

Clark, E. S.—Are Savings Departments Profitable to Interior Banks? (In Kentucky Bankers' Association. Proceedings, p. 95, 1912.)

Colorado Bankers' Association—Discussion on Interest on Savings or Time Deposits. (In Colorado Bankers' Association. Proceedings, p. 142, 1911.) See also p. 182.

Comptroller of the Currency—Savings Departments of National Banks and Real Estate Loans. (In his Annual Report, p. 28, 1911.)

Creer, W. R.—The Segregation of Savings Deposits. (In West Virginia Bankers' Association. Proceedings, p. 44, 1910.)

Eyferth, Bruno—Savings Departments. (In Journal-Bulletin, Vol. 3, November, 1910, p. 281.)

Gibson, F. B.—Value to a Trust Company of Having a Savings Deposit Branch for Savings Accounts. (In Trust Company Section. Proceedings, p. 161, 1899.)

Gonzales, V.—Savings Deposits. (In Bankers' Magazine, Vol. 84, p. 37, 1912.)

Hanhart, William—Savings Departments. (In A. I. B. Bulletin, Vol. 9, p. 358, October, 1907.)

Hanhart, William—Savings Departments in National Banks. (In Savings Bank Section. Proceedings, p. 71, 1907.)

Heppenheimer, W. C.—Savings Departments of National Banks and Trust Companies. (In New Jersey Bankers' Association. Proceedings, p. 11, 1904.)

Herrick, Clay—The Segregation of Savings Deposits. (In Bankers' Magazine, Vol. 81, 1910, p. 329.)

Hess, C. F.—Method of Figuring Interest on Savings Accounts. (In Banking Law Journal, Vol. 21, 1904, p. 272.)

Hess, C. F.—Method of Figuring Interest on Savings Accounts. (In Banking Law Journal, Vol. 24, 1907, p. 641.)

James, R. E.—Segregation of Deposits. (In New Jersey Bankers' Association. Proceedings, p. 41, 1910.)

James, R. E.—Segregation of Deposits. (In Virginia Bankers' Association. Proceedings, p. 74, 1910.)

Jay, Pierre—The Proper Treatment of Savings Deposits when Taken by State Banks and Trust Companies. (In Savings Bank Section. Proceedings, p. 35, 1908.)

Johnson, J. H.—A Savings Deposit and its Responsibilities. (In Arkansas Bankers' Association. Proceedings, p. 53, 1911.)

Johnson, J. H.—Segregation of Savings Deposits. (In A. B. A. Proceedings, p. 546, 1910.)

Monroe, C. J.—Segregation of Deposits. (In Michigan Bankers' Association. Proceedings, p. 89, 1909.)

New Jersey Bankers' Association—Discussion. (In Proceedings, p. 44, 1908.)

Nichols, F. C.—The Operation of the Mutual Savings Bank System in the United States, and the Treatment of Savings Deposits. (American Academy of Political and Social Science. Publications, 1910.)

Paton, T. B. (comp.)—Summary of State Laws Relating to Segregating and Safeguarding Savings Deposits. (In A. B. A. Proceedings, p. 621, 1910.)

Reading, J. S.—Segregation of Deposits. (In Journal-Bulletin, Vol. 3, September, 1910, p. 185.)

Reading, J. G.—Segregation of Deposits. (In Trust Companies. Magazine, Vol. 10, 1910, p. 181.)

Reynolds, Arthur—Savings Departments in National Banks, and Separation and Segregation of Assets. (In Indiana Bankers' Association. Proceedings, p. 35, 1910.)

Reynolds, Arthur—Savings Departments in National Banks. (In Wisconsin Bankers' Association. Proceedings, p. 71, 1909.)

Sartori, J. F.—Departmental Banking Laws: Regulation and Segregation. (In A. B. A. Proceedings, p. 627, 1911.)

Thomson, C. R.—Segregation of Deposits. (In Wisconsin Bankers' Association. Proceedings, p. 190, 1910.)

Trust Companies Magazine—The Wisdom of Adhering to Dignified Methods of Building up Savings Deposits. (Vol. 10, 1910, p. 338.)

Welch, R. M.—Segregation of Savings Deposits. (In A. B. A. Proceedings, p. 549, 1910.)

Zimmerman, H. M.—The Segregation and Safeguarding of Savings Deposits. (In A. B. A. Proceedings. Savings Bank Section, p. 15, 1909.)

INCOME TAX.

The Library has a complete set of the Income Tax regulations issued by the Treasury Department, to date, with newspaper controversy on the faults and merits of the law, and pamphlets giving various interpretations of its provisions.

The Library loan material on the subject contains a complete set of the literature issued by the Trust Company Section, which comprises a letter sent to its members before the law was passed, calling to their attention the collection features and including the report of the committee of the New York Chamber of Commerce; a letter of later date sent to trust companies in the three States represented by the members of the Senate sub-committee which was then considering the proposed law; a "Memorandum on Behalf of Certain Trust Companies," relating to its administrative features, which was submitted to the Senate Committee on Finance; and a pamphlet on the "Business Side of Holding Out Income Tax on Coupons, etc.," sent to Trust Company Section members after the passage of the law.

CALIFORNIA BANKERS' ASSOCIATION.

THE Executive Council of the California Bankers' Association held a meeting in the Directors' Room of the Oakland Clearing House on December 20th, at which the reports of the various officers and committees were submitted.

On the adjournment of the meeting the visiting bankers were entertained at luncheon at the Hotel Oakland as guests of the local bankers, after which an automobile ride was taken through the residence section and suburbs of the city.

The 1914 convention of the Association will be held at Oakland on Wednesday, Thursday, and Friday, May 27, 28, and 29.

The Council decided that the Association would maintain headquarters at the convention of the American Bankers Association at Richmond, and it is contemplated chartering a special train for the delegates from the coast States and thereabout.

WASHINGTON BANKERS' ASSOCIATION.

Prize Essay Contest.

THE Washington Bankers' Association has established a prize essay contest for the year 1914, open to the bank clerks of Washington and students of the University of Washington, the State College at Pullman, and Whitman College at Walla Walla. May 15, 1914, is the last day on which essays will be received.

The Executive Council has appropriated $100 for prizes, setting aside $25 for the Bank Clerks' Contest and a like amount for the contests in each of the three institutions of learning—in each instance offering a prize of $15 to the author of the best essay, and $10 to the author of the second best essay. The successful essay will be printed in the report of the 1914 convention.

The Bank Clerks' Competition is open to every bank clerk in the State of Washington, and not confined to the chapter clerks in the large cities.

WASHINGTON BANKERS' ASSOCIATION.

New Groups.

NEW groups have been organized as follows: Group No. 4 held its first regular meeting at Olympia, December 4th, and consists of the counties of Pierce, Thurston, Lewis, Mason, Cowlitz, Chehalis, Pacific, Skamania, Clarke and Wahkiakum. The officers-elect are: President—J. W. Alexander, of Chehalis; Vice-President—F. M. Kenney, of Olympia; Secretary-Treasurer—W. L. Boomer, of Elma. These officers with W. L. Adams, of Hoquiam, and F. A. Luce, of Tacoma, comprise the Executive Committee.

Group No. 5 was organized at North Yakima and consists of the counties of Yakima, Kittitas, Benton and Klickitat. The officers-elect are: President—C. W. Johnsone, of Ellensburg; Vice-Presidents (one from each county in the Group)—Frank Carpenter, of Cle Elum; A. T. Carlson, of Mabton; M. W. Mattecheck, of Kennewick; C. T. Camplin, of Goldendale; Secretary-Treasurer—L. J. Goodrich, of Toppenish.

Group No. 6, consisting of the counties of Walla Walla, Asotin, Columbia and Garfield, will be organized in the near future, thus completing the Group System for the State.

OKLAHOMA BANKERS' ASSOCIATION.

Group Meetings, 1914.

GROUP 1 at Lawton, February 23d; Group 2 at Woodward, February 24th; Group 3 at Guthrie, February 25th; Group 5 at Ada, February 26th, and Group 4 at Nowata, February 27th.

LEGAL DEPARTMENT

THOMAS B. PATON · GENERAL COUNSEL

THE FEDERAL INCOME TAX LAW.

THE following additional regulations and rulings have been published by the Treasury Department. The text of the Federal Income Tax law and the rulings down to and including Treasury Decision 1909 have been published in the JOURNALS for November and December:

(T. D. 1910.)

Income Tax.

Irrigation and reclamation assessment districts are not political subdivisions of the State nor are they public utilities exercising any essential governmental functions accruing to any State or Territory, within the meaning of the Federal income-tax law. Interest or income from bonds or other obligations of such districts is not exempt from the income tax.

Treasury Department,
Office of Commissioner of Internal Revenue,
Washington, D. C., December 4, 1913.

Sir: In reply to your letter dated November 14, 1913, with which was forwarded copies of the California State laws with respect to the irrigation and reclamation districts of California, and in which you set forth at length the status of such irrigation and reclamation districts, and in which the question is raised as to whether the interest derived from bonds issued under authority of this State to finance such irrigation and reclamation projects is subject to the income tax, you are informed as follows:

It appears that these irrigation and reclamation districts are created by special or general State laws which provide that their organization be perfected upon petitions signed by the required number of holders of title, or evidence of title, to lands within such proposed districts, and when such districts are thus created, bonds to secure funds for the necessary improvements are issued and the interest charges thereon are met by taxes specifically levied upon the lands benefited by the improvements.

The vote necessary to secure the issue of bonds is confined to the owners of real property, and neither the franchises, benefits, nor burdens are extended to or imposed for the general welfare of all the people inhabiting such districts.

It would appear, therefore, that such districts are not created for the general welfare or as public utilities in the administration of government for the benefit of all the people.

The income-tax law provides "that in computing net income under this section, there shall be excluded the interest upon the obligations of a State or any political subdivision thereof." The law further provides:

> There shall not be taxed under this section any income derived from any public utility or from the exercising of any essential governmental function accruing to any State, Territory, or the District of Columbia, or any political subdivision of a State, Territory, or the District of Columbia.

The law also provides that in computing the net income of a person, no deduction shall be allowed for taxes assessed against local benefits, nor for any amount paid out for betterments made to increase the value of any property or estate.

The question at issue, therefore, would appear to depend entirely upon whether the irrigation and reclamation districts under consideration are political subdivisions of a State or whether they are simply assessment districts in which the assessment is made against local benefits, and whether, in the case of the districts under consideration, such districts are not created solely for the purpose of local benefits and for the purpose of confining the expense of such benefits to the particular persons who are benefited thereby.

In the case of Smith v. Howell (60 N. J. L., 384), it is held that—

> A political division to whose boundaries a general tax may be confined is a division of the State with its inhabitants organized for the public advantage and not in the interest of particular individuals or classes, the chief design of which is the exercise of governmental functions, and to the electors residing within which is, to some extent, committed the power of local government.

In State v. Englewood Drainage, etc., Commissioners (41 N. J. L., 154), it is held that such political subdivision—

> Does not include a sewerage, drainage, and water district under a board to be elected every five years by male and female resident landowners in fee, such board being invested with some control over a defined territory, but having no concern with the inhabitants, such district being formed, not for public advantage, but in the interest of a particular class—the landowners—and the chief end of which is not the government of the persons and things within its territory, but mere land improvement at the expense of the land either by general tax or special assessment, and the electors of which district have no voice whatever in its corporate affairs.

It would appear, therefore, that State laws providing for the taxation of certain districts created for a special purpose and for the special benefit of persons residing within, and owning real property within, certain prescribed limits does not create a subdivision of the State, nor are such laws intended to create a subdivision of the State, as that term is used in the income-tax law, but such districts are created under authority of the State simply to enable certain groups of citizens of the State to do that which they otherwise could not do without such legal sanction.

State agencies not existing for purely governmental purposes do not fall within any rule exempting the sovereign power of the State or any political subdivision thereof from Federal taxation.

It is, therefore, held that such irrigation and reclamation assessment districts are not political subdivisions of the State within the meaning of the income-tax law, nor are they public utilities exercising any essential governmental functions accruing to any State or Territory, and that the interest or income from the bonds or other obligations of such districts is not exempt from the income tax.

W. H. OSBORN,
Commissioner of Internal Revenue.
Collector Sixth District, Los Angeles, Cal.

(T. D. 1911.)

Income Tax.

Supplemental regulations prescribing form of certificate which may be used by fiduciaries, when said fiduciaries do not desire to claim any exemption from having the normal tax of 1 per cent. withheld by the debtor organization at the source.

Treasury Department,
Office of Commissioner of Internal Revenue,
Washington, D. C., December 8, 1913.

Fiduciary agents may, if they so desire, use instead of Form 1015, prescribed in supplemental regulations, Treasury Decision 1906, of November 28, 1913, a certificate in substantially the following form:

(Form No. 1019.)

Form of Certificate to be Filed with Debtor or Withholding Agents by Fiduciaries when Not Claiming any Exemption, as an Alternative to the Filing of Form No. 1015 in which Exemption is Claimed.

The following form of certificate may be filed with the debtor, or its paying agents, at the time of the payment to the fiduciary, or his representative, of all coupons, interest orders, rents, and all other kinds of income whatsoever upon which the tax on income is required to be withheld at the source as an alternative to the filing of Form No. 1015.

I (we) do solemnly declare that I (we)..... ..... am (are) the duly authorized
(Name fiduciary.)
..... for the benefi-
(Indicate in what capacity acting.)
ciaries of the estate or trust of ....., which estate or trust is entitled to the income from $....., bonds of the denominations of $..... each, Nos. .....
.....
.....
.....
.....
of the .....
(Give name of debtor.)
known as ..... bonds,
(Describe the particular issue of bonds.)
from which were detached the accompanying coupons, due ....., 191.., amounting to $....., or upon which there has matured ....., 191.., $....., of registered interest, or which estate or trust is entitled to other income from property or investments upon which there accrued ....., 191.., $..... of income.

Acting for and in the capacity herein stated, I hereby declare that I (we) do not now claim any exemption from having the normal tax of 1 per cent. withheld from said income by the debtor at the source.

....., ...
(Name.) (Capacity in which acting.)
Date: ....., 191.. .....
(Address.)

When the fiduciary uses the above form of certificate the debtor organization shall be the source for the deduction and withholding of the normal tax of 1 per cent., as required by regulations, and fiduciaries receiving the income described in the said certificate from which the 1 per cent. normal tax has thus been withheld shall not be required to again deduct and withhold the normal tax of 1 per cent. upon the said income.

W. H. OSBORN,
Commissioner of Internal Revenue.

Approved:
W. G. McADOO, Secretary.

(T. D. 1912.)

Income Tax.

Extension of time to January 15, 1914, for use of Forms 1000 (original and amended), 1001, 1003, and 1004, as provided in Treasury Decision 1907 of November 26, 1913.

Treasury Department,
Office of Commissioner of Internal Revenue,
Washington, D. C., December 8, 1913.

The time in which Forms Nos. 1000 (original and amended), 1001, 1003, and 1004, as provided in Treasury Decision 1907, issued November 26, 1913, may be used shall be extended to January 15, 1914.

W. H. OSBORN,
Commissioner of Internal Revenue.

Approved:
W. G. McADOO, Secretary of the Treasury.

(T. D. 1914.)

Treasury Department,
Office of Commissioner of Internal Revenue,
Washington, D. C., December 9, 1913.

Supplemental regulations prescribing how itemized monthly list returns and annual list returns of all coupon and registered interest payments on which the normal tax of 1 per cent. was withheld shall be made, pursuant to regulations for the administration of section 2, of the act of October 3, 1913.

Debtors or withholding agents are required by regulations made in pursuance of section 2, act of October 3, 1913, to make both a monthly and an annual list return.

The required monthly list return shall give a list of all coupon or interest payments made on which the normal tax of 1 per cent. was deducted and withheld and shall show the name and address in full of the owners of the bonds, amount of the income, amount of exemption claimed, amount of income on which withholding agent is liable for tax, and the amount of tax withheld, and shall be made in substantially the following form:

(Form 1012.)

United States Internal Revenue—Monthly List Return of Amount of Normal Income Tax Withheld at the Source.

Filed by .....
(Name of debtor organization.)

To be made in duplicate to the collector of internal revenue for the district in which the withholding agent is located on or before the 20th day of each month, showing the names and addresses of persons who have received payments of interest upon bonds and mortgages or deeds of trust, or other similar obligations of corporations, joint-stock companies or associations, and insurance companies, on which the normal tax of 1 per cent. has been deducted and withheld during the preceding month.

I (we) ..... of .....,
(Name.) (State address in full.)
the duly authorized withholding agent of .....
....., located at .....
(State name of debtor organization.)
....., do solemnly swear (or affirm)
(Address in full.)
that the following is a true and complete return of all coupon and interest payments as above described, made by said organization and from which the normal tax of 1 per cent. was deducted and withheld at the time of payment or for which it is liable as withholding agent, during the month of ....., 191.., on the .....
(Describe the particular issue of bonds.)
bonds (or other obligations) of the .....
....., and there are here-
(Name of debtor organization.)
with inclosed all certificates of ownership which were presented with said coupons or orders for registered interest covering the interest maturing on $..... of the bonds described.

Name.	Address in full.	Amount of income.	Amount of exemption claimed.	Amount of income on which withholding agent is liable for tax.	Amount of tax withheld.
.....	.....	$.....	$.....	$.....	$.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
Total for month.....					.....
Amount of tax remitted herewith (if any) to collector.....					.....

To..... Sworn to and subscribed

Collector. before me this..... Signed:

...District of.... day of.....191— .....

....

(Address.) (Capacity in which acting.)

NOTE A.—Withholding agents may, if they so desire, pay at the time this list is filed, to the collector of internal revenue with whom the list is filed, the amount of tax withheld during the month for which the list is made.

NOTE B.—All substitute certificates of collecting agents authorized by regulations that are received by debtors or withholding agents will be considered the same as certificates of owners, and in entering same in making monthly list returns debtors or withholding agents will enter the name, address, and the number of the substitute certificate of the collecting agent in lieu of the name and address of the owner of the bonds.

Form 1012a.—Includes all heading, Form 1012, but omits bottom.

Form 1012b.—With box heading, Form 1012, omits head and tail.

Form 1012c.—Omits heading, Form 1012, includes tail.

Form 1012d, when necessary to be used, shall be a summary of the monthly list return, Form 1012, as made in detail by the withholding agent, and the said summary and lists thereto attached when properly filled in and the summary signed and sworn to shall constitute the complete monthly list return of the withholding agent making same as fully as if each list attached to the summary was signed and sworn to separately.

The said Form 1012d shall be in substantially the following form:

(Form 1012d.)

United States Internal Revenue—Summary of Monthly List Return of Amount of Normal Income Tax Withheld at the Source.

Filed by .....
(Name of debtor organization.)

To be made in duplicate to the collector of internal revenue for the district in which the withholding agent is located, on or before the 20th day of each month, showing the names and addresses of persons who have received payments of interest upon bonds and mortgages, or deeds of trust, or other similar obligations of corporations, joint-stock companies, or associations, and insurance companies, on which the normal tax of 1 per cent. has been deducted and withheld during the preceding month.

I (we) ..... of .....,
(Name.) (State address in full.)
the duly authorized withholding agent of .....
....., located at .....
(State name of debtor organization.)
....., do solemnly swear (or affirm)
(Address in full.)
that the following is a true and complete return of all coupon and interest payments as above described, made by said organization and from which the normal tax of 1 per cent. was deducted and withheld at the time of payment, or for which it is liable as withholding agent, during the month of ....., 191.., on bonds (or other similar obligations) of the ....., as fully set forth in
(Name of debtor organization.)
detail on lists attached hereto, said lists, Form 1012, and this summary constituting the monthly list return of normal income tax withheld at the source, as required by the regulations; and that there are herewith inclosed all certificates of ownership which were presented with said coupons or orders for registered interest covering the interest maturing on $..... of the bonds described, and that said withholding agent has paid no coupons or orders for registered interest not accompanied by the certificates of ownership as required by Treasury regulations.

Description of obligation.	Amount of income.	Amount of exemption claimed.	Amount of income on which withholding agent is liable for tax.	Amount of tax withheld.
.....	$.....	$.....	$.....	$.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
Total for month.....	.....	.....	.....	.....
Amount of tax remitted herewith (if any) to collector				.....

To..... Sworn to and subscribed Signed:

Collector. before me this..... .....

...District of..... day of.....191– .....

.... (Capacity in which acting.)

(Address.)

NOTE A.—Withholding agents may, if they so desire, pay at the time this list is filed, to the collector of internal revenue with whom the list is filed, the amount of tax withheld during the month for which the list is made.

NOTE B.—All substitute certificates of collecting agents, authorized by regulations, that are received by debtors or withholding agents will be considered the same as certificates of owners, and in entering same in making monthly list returns debtors or withholding agents will enter the name, address, and the number of the substitute certificate of the collecting agent in lieu of the name and address of the owner of the bonds.

The annual list return to be made by debtors or withholding agents of the normal tax of 1 per cent.

withheld from interest payments made upon bonds or other similar obligations shall be made on or before March 1 of each calendar year and in substantially the following form:

(Form 1013.)

United States Internal Revenue—Annual List Return of Amount of Normal Income Tax Withheld at the Source. From Interest upon Bonds and Mortgages or Deeds of Trust or Other Similar Obligations of Corporations, Joint-stock Companies, or Associations, and Insurance Companies.

Filed by .....
(Name of debtor organization.)

To be made in duplicate to the collector of internal revenue for the district in which the withholding agent is located on or before March 1, showing the totals of each monthly return on Form 1012 and their aggregate totals for the preceding calendar year.

I (we) ..... of .....,
(Name.) (State address in full.)
the duly authorized withholding agent of .....
....., located at .....
(State name of debtor organization.)
....., do solemnly swear (or affirm)
(State address in full.)
that the following is a true and complete return of the monthly totals of all coupon and interest payments made and normal taxes withheld therefrom by said organization or for which it is liable as withholding agent as reported on Form 1012 and their aggregate totals for the year ended December 31, 191..:

Month.	Amount of Income	Amount of exemption claimed.	Amount of income on which withholding agent is liable for tax.	Amount of tax withheld.	Amount of tax remitted to collector.	Balance of tax due.
January	$.....	$.....	$.....	$.....	$.....	$.....
February	.....	.....	.....	.....	.....	.....
March	.....	.....	.....	.....	.....	.....
April	.....	.....	.....	.....	.....	.....
May	.....	.....	.....	.....	.....	.....
June	.....	.....	.....	.....	.....	.....
July	.....	.....	.....	.....	.....	.....
August	.....	.....	.....	.....	.....	.....
September	.....	.....	.....	.....	.....	.....
October	.....	.....	.....	.....	.....	.....
November	.....	.....	.....	.....	.....	.....
December	.....	.....	.....	.....	.....	.....
Aggregate total for year	.....	.....	.....	.....	.....	.....

To.....
(Collector.)
Sworn to and subscribed before me this.....
Signed:.....
....district of.....
day of.....191–,.....
....
(Address.) (Capacity in which acting.)

The monthly list return in the form as required herein shall constitute a part of the annual list return to be made by debtors or withholding agents, and the debtor or withholding agent will not be required, in making an annual list return of the tax withheld from income derived from interest upon bonds and mortgages or deeds of trust, or other similar obligations of corporations, joint-stock companies, or associations and insurance companies, to again make an itemized list of the amount of tax withheld from each person, but will give in the annual list return the totals of the monthly list return for each month of the year for which annual list return is made.

All substitute certificates of collecting agents, authorized by regulations, that are received by debtors or withholding agents will be considered the same as certificates of owners, and in entering same in making monthly list returns debtors or withholding agents will enter the name and address of the collecting agent and the number of the substitute certificate issued in lieu of the original certificate containing the name and address of the owner of the bonds. Until the further ruling on this subject by this department no list return is required to be made of certificates of ownership acompanying coupons or registered interest orders filed with a debtor or withholding agent when the owners of the bonds are not subject to having the normal tax withheld at the source, but all such certificates of ownership shall be forwarded by the debtor or withholding agent to the collector of internal revenue for his or its district, on or before the 20th day of the month succeeding that in which said certificates of ownership were received by him or it.

All forms of monthly and annual list returns herein provided for shall be 10½ inches wide and 16 inches from top to bottom.

W. H. OSBORN,
Commissioner of Internal Revenue.
Approved, December 9, 1913.
W. G. McADOO, Secretary of the Treasury.

(T. D. 1915.)

Income Tax.

Supplemental regulations prescribing forms of certificates to be attached to interest coupons in cases where the collecting agent's certificate is substituted for the certificate of the owners.

Treasury Department,
Office of Commissioner of Internal Revenue,
Washington, D. C., December 5, 1913.

Subject to the provisions of the Regulations in Treasury Decision 1903, dated November 28, 1913, collecting agents may substitute Form 1000a, properly filled in and numbered, for the certificate of the owner on Form 1000.

When collecting agents substitute their own certificate in lieu of owner's certificate on Form 1001, said substitute certificate shall be in substantially the following form:

(Form 1001a.)

Form of Certificate to be Attached to Interest Coupons in Cases where the Collecting Agent's Certificate is Substituted for the Certificate of the Owners.

(When Owner is a Domestic Organization not Subject to Taxes on Income at Source.)

The owner's certificate, of which the following certificate is the counterpart, and bears the same number as this certificate, will be sent by the collecting agent direct to the Commissioner of Internal Revenue, at Washington, as prescribed by regulations.
No.....
I (we) ..... do solemnly
(Name of collecting agent.)
declare that the owner of $..... bonds of the
....., from which were
(Name of debtor organization.)
detached the accompanying interest coupons due
....., 191.., amounting to $....., has
(Maturity.)
filed with me (us) a duly executed certificate filled up

in accordance with Treasury Regulations of October 25, 1913, Form No. 1001, which certificate has been indorsed by me (us) as follows: "Owner's certificate No....., ..., ...,
(Name of collecting agency.) (Date.)
191.." and that under the provisions of the income-tax law of October 3, 1913, said interest is exempt from the payment of taxes collectible at the source, which exemption is hereby claimed, and I (we) do hereby promise and pledge [myself/ourselves] to forward the above-described certificate executed by the owners as stated and dated ....., 191.., to the Commissioner of Internal Revenue, at Washington, D. C., not later than the 20th day of next month, in accordance with Treasury Regulations.

Signature of collecting agent, ...
Date, ..., 191.. Address, ...

When collecting agents substitute their own certificate in lieu of owner's certificate on Form 1003, said substitute certificate shall be in substantially the following form:

(Form 1003a.)

Form of Certificate to be Attached to Interest Coupons in Cases where the Collecting Agent's Certificate is Substituted for the Certificate of the Owners. (When said Owners are Firms of Copartnerships in the United States.)

The owner's certificate, of which the following certificate is the counterpart and bears the same number as this certificate, will be sent by the collecting agent direct to the Commissioner of Internal Revenue, at Washington, as prescribed by regulations.

No.....

I (we) ..... do solemnly
(Name of collecting agent.)
declare that the owner of $..... bonds of the ....., from which were
(Name of debtor organization.)
detached the accompanying interest coupons due ....., 191..; amounting to $....., has
(Maturity.)
filed with me (us) a duly executed certificate filled up in accordance with Treasury Regulations of October 25, 1913, Form No. 1003, which certificate has been indorsed by me (us) as follows: "Owner's certificate No....., ..., ...,
(Name of collecting agency.) (Date.)
191.." and that the name and address of the firm or partnership, and the names of the individual members thereof, and their places of residence was recorded on said original certificate, and I (we) do hereby promise and pledge [myself/ourselves] to forward the above-described certificate, executed by the owners as stated, and dated ....., 191.., to the Commissioner of Internal Revenue, at Washington, D. C., not later than the 20th day of next month, in accordance with Treasury Regulations.

Signature of collecting agent, ...
Date, ..., 191.. Address, ...

When collecting agents substitute their own certificate in lieu of owner's certificate on Form 1004, said substitute certificate shall be in substantially the following form:

(Form 1004a.)

Form of Certificate to be Attached to Interest Coupons in Cases where the Collecting Agent's Certificate is Substituted for the Certificate of the Owners. (When Owners are both Citizens or Subjects and Residents of Foreign Countries.)

The owner's certificate, of which the following certificate is the counterpart and bears the same number as this certificate, will be sent by the collecting agent direct to the Commissioner of Internal Revenue, at Washington, as prescribed by regulations.

No.....

I (we) ..... do solemnly
(Name of collecting agent.)
declare that the owner of $..... bonds of the ....., from which were
(Name of debtor organization.)
detached the accompanying interest coupons due ....., 191.., amounting to $....., has
(Maturity.)
filed with me (us) a duly executed certificate filled up in accordance with Treasury Regulations of October 25, 1913, Form No. 1004, which certificate has been indorsed by me (us) as follows: "Owner's certificate No....., ..., ...,
(Name of collecting agency.) (Date.)
191.." and that the owner in said certificate declares that being a non-resident foreigner, said interest is exempt from the income tax imposed on such interest by the United States Government under the law enacted October 3, 1913, and that no citizen of the United States, wherever residing, or foreigner residing in the United States, or any of its possessions, has any interest in said bonds, coupons, or interest, and I (we) do hereby promise and pledge [myself/ourselves] to forward the above-described certificate executed by the owners as stated and dated ....., 191.., to the Commissioner of Internal Revenue, at Washington, D. C., not later than the 20th day of next month, in accordance with Treasury Regulations.

Signature of collecting agent, ...
Date, ..., 191.. Address, ...

When collecting agents substitute their own certificate in lieu of owner's certificate on Form 1011, said substitute certificate shall be in substantially the following form:

(Form 1011a.)

Form of Certificate to be Attached to Interest Coupons in Cases where the Collecting Agent's Certificate is Substituted for the Certificate of the Owners. (When Owners are Firms or Copartnerships in the United States Claiming Deduction for Tax on Account of Operating Expenses Incurred.)

The owner's certificate, of which the following certificate is the counterpart, and bears the same number as this certificate, will be sent by the collecting agent direct to the Commissioner of Internal Revenue, at Washington, as prescribed by regulations.

No.....

I (we) ..... do solemnly
(Name of collecting agent.)
declare that the owner of $..... bonds of the ....., from which were
(Name of debtor organization.)
detached the accompanying interest coupons due ....., 191.., amounting to $....., has
(Maturity.)
filed with me (us) a duly executed certificate filled up in accordance with Treasury Regulations of November 28, 1913, Form No. 1011, which certificate has been indorsed by me (us) as follows: "Owner's certificate No....., ..., ...,
(Name of collecting agency.) (Date.)
191.." and the partnership in said certificate did claim a deduction of $..... allowed on account of the actual expenses incurred in conducting said business, under regulations made in pursuance of section 2, act of October 3, 1913, and did solemnly declare that neither the partnership nor its individual members has claimed deductions in excess of its total actual legitimate annual expenses of conducting the business of said partnership, and that no portion of the living or personal expenses of the partners is included in the deductions claimed, and I (we) do hereby promise and pledge [myself/ourselves] to forward the above-described certificate executed by the owners as stated and dated ....., 191.., to the Commissioner of Internal Revenue, at Washington, D. C., not later than the 20th day of next month, in accordance with Treasury Regulations.

Signature of collecting agent, ...
Date, ..., 191.. Address, ...

When collecting agents substitute their own certificate in lieu of owner's certificate on Form 1014,

said substitute certificate shall be in substantially the following form:

(Form 1014a.)

Form of Certificate to be Attached to Interest Coupons in Cases where the Collecting Agent's Certificate is Substituted for the Certificate of the Owners. (When Owners are Firms or Copartnerships of Foreign Countries and Claim Immunity from Income Tax.)

The owner's certificate, of which the following certificate is the counterpart and bears the same number as this certificate, will be sent by the collecting agent direct to the Commissioner of Internal Revenue, at Washington, as prescribed by regulations.

No.....

I (we) ..... do solemnly
(Name of collecting agent.)

declare that the owner of $..... bonds of the ....., from which were
(Name of debtor organization.)

detached the accompanying interest coupons due ....., 191.., amounting to $....., has
(Maturity.)

filed with me (us) a duly executed certificate filed up in accordance with Treasury Regulations of November 28, 1913, Form No. 1014, which certificate has been indorsed by me (us) as follows: "Owner's certificate No....., ..., ...,
(Name of collecting agency.) (Date.)

191..," and that said certificates declare that said owners are a copartnership and that all the members of the firm or partnership, except partners whose names are recorded thereon, are nonresident foreigners and as such are exempt from the income tax imposed on such income by the United States Government under the law enacted October 3, 1913, and that no citizen of the United States, wherever residing, or foreigner residing in the United States or any of its possessions, except those named above, has any interest in said bonds, coupons, or interest, and I (we) do hereby promise and pledge [myself/ourselves] to forward the above-described certificate executed by the owners as stated and dated ....., 191.., to the Commissioner of Internal Revenue, at Washington, D. C., not later than the 20th day of next month, in accordance with Treasury Regulations.

Signature of collecting agent, ...
Date, ..., 191.. Address, ...

When collecting agents substitute their own certificate in lieu of owner's certificate on Form 1015, said substitute certificate shall be in substantially the following form:

(Form 1015a.)

Form of Certificate to be Attached to Interest Coupons in Cases where the Collecting Agent's Certificate is Substituted for the Certificate of the Owners. (When Owners are Fiduciaries.)

The owner's certificate, of which the following certificate is the counterpart and bears the same number as this certificate, will be sent by the collecting agent direct to the Commissioner of Internal Revenue, at Washington, as prescribed by regulations.

No.....

I (we) ..... do solemnly
(Name of collecting agent.)

declare that the owner of $..... bonds of the ....., from which were
(Name of debtor organization.)

detached the accompanying interest coupons due ....., 191.., amounting to $....., has
(Maturity.)

filed with me (us) a duly executed certificate filed up in accordance with Treasury Regulations of November 28, 1913, Form No. 1015, which certificate has been indorsed by me (us) as follows: "Owner's certificate No....., ..., ...,
(Name of collecting agency.) (Date.)

191..," that said certificate is executed by a fiduciary, and that the fiduciary acting for and in the capacity as stated therein, assumes the duty and responsibility imposed upon withholding agents under the law, of withholding and paying the income tax due, for which he (it) may be liable, and that acting in said fiduciary capacity as stated therein, he (it) did claim exemption from having the normal tax withheld from said income, and I (we) do hereby promise and pledge [myself/ourselves] to forward the above-described certificate executed by the owners as stated and dated ....., 191.., to the Commissioner of Internal Revenue, at Washington, D. C., not later than the 20th day of next month, in accordance with Treasury Regulations.

Signature of collecting agent, ...
Date, ..., 191.. Address, ...

When collecting agents substitute their own certificate in lieu of owner's certificate on Form 1016, said substitute certificate shall be in substantially the following form:

(Form 1016a.)

Form of Certificate to be Attached to Interest Coupons in Cases where the Collecting Agent's Certificate is Substituted for the Certificate of the Owners. (Owners being foreign Organizations not Subject to the Income Tax at the Source.)

The owner's certificate, of which the following certificate is the counterpart and bears the same number as this certificate, will be sent by the collecting agent direct to the Commissioner of Internal Revenue, at Washington, as prescribed by regulations.

No.....

I (we) ..... do solemnly
(Name of collecting agent.)

declare that the owner of $..... bonds of the ....., from which were
(Name of debtor organization.)

detached the accompanying interest coupons due ....., 191.., amounting to $....., has
(Maturity.)

filed with me (us) a duly executed certificate filed up in accordance with Treasury Regulations of November 28, 1913, Form No. 1016, which certificate has been indorsed by me (us) as follows: "Owner's certificate No....., ..., ...,
(Name of collecting agency.) (Date.)

191..," and that under the provisions of the income-tax law of October 3, 1913, the said organization in said certificate declares that it is a foreign organization, and that the said interest or income is exempt from the payment of taxes collectible at the source, which exemption it claims, and I (we) do hereby promise and pledge [myself/ourselves] to forward the above-described certificate executed by the owners as stated and dated ....., 191.., to the Commissioner of Internal Revenue, at Washington, D. C., not later than the 20th day of next month, in accordance with Treasury Regulations.

Signature of collecting agent, ...
Date, ..., 191.. Address, ...

When collecting agents substitute their own certificate in lieu of owner's certificate on Form 1018, said substitute certificate shall be in substantially the following form:

(Form 1018a.)

Form of Certificate to be Attached to Interest Coupons in Cases where the Collecting Agent's Certificate is Substituted for the Certificate of the Owners. (Owners being Foreign Organizations Engaged in Business in the United States and Subject to Tax.)

The owner's certificate, of which the following certificate is the counterpart and bears the same number as this certificate, will be sent by the collecting agent direct to the Commissioner of Internal Revenue, at Washington, as prescribed by regulations.

No.....

I (we) ..... do solemnly
(Name of collecting agent.)

declare that the owner of $..... bonds of the ....., from which were
(Name of debtor organization.)

detached the accompanying interest coupons due ....., 191.., amounting to $....., has
(Maturity.)

filed with me (us) a duly executed certificate filled up in accordance with Treasury Regulations of December 5, 1913, Form No. 1018, which certificate has been indorsed by me (us) as follows: "Owner's certificate No....., ..., ..., (Name of collecting agency.) (Date.) 191..," and that under the regulations made in pursuance of section 2, act of October 3, 1913, said organization is subject to the normal tax of 1 per centum per annum upon the amount of net income accruing from business transacted and capital invested with the United States, and did therein claim exemption from having the said tax withheld at the source of said income, and I (we) do hereby promise and pledge [myself/ourselves] to forward the above-described certificate, executed by the owners as stated, and dated ....., 191.., to the Commissioner of Internal Revenue, at Washington, D. C., not later than the 20th day of next month, in accordance with Treasury Regulations.

Signature of collecting agent, ...
Date, ..., 191.. Address, ...

All of the forms prescribed herein to be used by collecting agents for substitution in lieu of the owner's certificate, accompanying coupons to be presented for collection, shall be subject to all of the provisions of the regulations as published in Treasury Decision 1903 of November 28, 1913, the same as the said regulations are made to apply to Form 1000a, as given therein.

W. H. OSBORN,
Commissioner of Internal Revenue.

Approved:
W. G. McADOO, Secretary of the Treasury.

(T. D. 1916.)

Income Tax.

Regulations Prescribing Form of Certificate to be Furnished by Foreign Organizations Engaged in Business in the United States and Subject to the Income Tax on Interest or Other Income Collectible at the Source.

Treasury Department,
Office of Commissioner of Internal Revenue,
Washington, D. C., December 5, 1913.

Foreign organizations engaged in business within the United States are subject to the normal tax of 1 per centum per annum upon the amount of net income accruing from business transacted and capital invested within the United States; but said organizations shall be exempt from having any part of its income withheld by a debtor or withholding agent.

The certificate to be furnished by foreign organizations engaged in business in the United States shall be in substantially the following form:

(Form 1018.)

Certificate to be Furnished by Foreign Organizations Engaged in Business in the United States.

I, ..., the ..... of
(Give name.) (Give official position.)
the ....., a .....
(Name of organization.) (Character of organization.)
of ....., located at ....., do
(Country.) (Post-office address.)
solemnly declare that said .....
(Give name of organization.)
is a foreign organization, engaged in business in the United States, and is the owner of $..... bonds of the denomination of $..... each, Nos.....
.....
of the ..... known as
(Give name of debtor.)
.....
(Describe particular issue of bonds.)
bonds, from which were detached the accompanying coupons, due ....., 191.., amounting to $....., or upon which there matured ....., 191.., $..... of registered interest, or is the owner of ....., upon which there
(Property or investments.)
was accrued ....., 191.., $..... of income.

Under the provisions of the Income Tax Law of October 3, 1913, the said organization is subject to the normal tax of 1 per centum per annum upon the amount of net income accruing from business transacted and capital invested within the United States, for which tax it will make its return in due course, but it hereby claims exemption from having the said normal tax of 1 per cent. on said income withheld at the source.

Date ..... Name .....
Address ....
(Dist. office.) (Official position.)
Of.....
(Name of organization.)

W. H. OSBORN, Commissioner.

Approved:
W. G. McADOO, Secretary of the Treasury.

(T. D. 1917.)

Income Tax.

Extension of Time for Filing Monthly List Returns of all Coupon and Registered Interest Payments on which the Normal Tax of One Per Cent. was Withheld at the Source in Accordance with the Requirements of Section 2 of the Act of October 3, 1913.

Treasury Department,
Office of Commissioner of Internal Revenue,
Washington, D. C., December 16, 1913.

The time for filing itemized monthly list returns of coupon and registered interest payments for the month of November, 1913, which are required by regulations to be filed on or before December 20, 1913, is extended to January 5, 1914.

W. H. OSBORN, Commissioner.

Approved December 16, 1913.
W. G. McADOO, Secretary.

(T. D. 1920.)

Income Tax.

Income Tax Ruling that Certificates of Ownership Heretofore Executed, or which may Hereafter be Executed, by the Owners of Bonds, etc., or their Duly Authorized Agents, Need Not be Signed with the Full Christian Name of the Owner or Agent, but the said Owner, or Agent, may use His Ordinary or Usual Business Signature.

Treasury Department,
Office of Commissioner of Internal Revenue,
Washington, D. C., December 20, 1913.

To Collectors of Internal Revenue:

Certificates of ownership, heretofore executed by the owners of bonds, etc., or their duly authorized agents, in compliance with the income tax regulations and signed either with the Christian name or the ordinary or usual business signature, and giving the full address of the owner, shall be accepted by debtor organizations or their duly authorized withholding agents.

Hereafter it will not be required that ownership certificates be signed with the full Christian names of the owners by the owners, or their duly authorized agents, but the said owners or agents may use their ordinary or usual business signatures, provided it identifies them and is accompanied by their complete address.

W. H. OSBORN, Commissioner.

Approved:
W. G. McADOO, Secretary.

(T. D. 1922.)

Income Tax.

Collection at the Source of Income Tax from Certain Municipal District or Local Bonds and Other Obligations.

Treasury Department,
Office of Commissioner of Internal Revenue,
Washington, D. C., December 24, 1913.

Until January 15, 1914, and thereafter until further instructions are issued, the income derived in

the shape of interest from the obligations, general or special, of any State, or of any County, Municipality, or taxing District therein, shall be exempt from the collection of the income tax at the source, whether the payment of such obligation is provided for by general or local taxation, or out of a general, special or separate fund.

Any regulation or ruling of the Bureau of Internal Revenue in conflict herewith is hereby suspended as above provided.

W. H. OSBORN, Commissioner.

Approved:
W. G. McADOO, Secretary.

(Note: This ruling modifies T. D. 1892 and T. D. 1910.)

(T. D. 1923.)

Income Tax.

Regulations Regarding the Specific Deduction Provided for Under Paragraph C of the Provisions of Section "E" of the Income Tax Law of October 3, 1913, Relative to the Returns of Husband and Wife.

Treasury Department,
Office of Commissioner of Internal Revenue,
Washington, D. C., December 27, 1913.

Every single person, and every married person not living with husband or wife in the sense below defined, who has a net income exceeding $3,000 per annum, is liable to pay the normal income tax under this law, but in making return for such tax may claim an exemption of $3,000 from their total net income.

Husband and wife living together are entitled to an exemption of $4,000 only from the aggregate net income of both, which may be deducted in making the return of such aggregate income for taxation. However, when the husband and wife are separated and living permanently apart from each other, each shall be entitled to the exemption of $3,000.

If the husband and wife not living apart have separate estates, the income from both may be made on one return, but the amount of income of each, and the full name and address of both must be shown in such return.

The husband, as the head and legal representative of the household and general custodian of its income, should make and render the return of the aggregate income of himself and wife, and for the purpose of levying the income tax it is assumed that he can ascertain the total amount of said income.

If a wife has a separate estate managed by herself as her own separate property and receives an income of more than $3,000, she may make return of her own income, and if the husband has other net income, making the aggregate of both incomes more than $4,000, the wife's return should be attached to the return of her husband, or his income should be included in her return, in order that a deduction of $4,000 may be made from the aggregate of both incomes. The tax in such case, however, will be imposed only upon so much of the aggregate income of both as shall exceed $4,000.

If either husband or wife separately has an income equal to or in excess of $3,000, a return of annual net income is required under the law and such return must include the income of both, and in such case the return must be made even though the combined income of both be less than $4,000.

If the aggregate net income of both exceeds $4,000, an annual return of their combined incomes must be made in the manner stated, although neither one separately has an income of $3,000 per annum. They are jointly and separately liable for such return and for the payment of the tax.

The single or married status of the person claiming the specific exemption shall be determined as of the time of claiming such exemption if such claim be made within the year for which return is made, otherwise the status at the close of the year.

These regulations hereby supersede the regulations relative to Paragraph C of the Income Tax Law, as prescribed on page 4 of Regulations, part 2, issued under date of October 31, 1913.

W. H. OSBORN, Commissioner.

Approved:
W. G. McADOO, Secretary.

(T. D. 1926.)

Income Tax.

Regulations Permitting Text of Certificates of Ownership, 1004, 1014 and 1016, Used by Non-resident Foreign Individuals, Partnerships and Organizations, to be Printed in Foreign Language Directly Under the English Text of Said Certificates.

Treasury Department,
Office of Commissioner of Internal Revenue,
Washington, D. C., December 30, 1913.

Certificates of ownership required to be filed with interest coupons or orders for registered interest by non-resident foreigners on Form 1004, by foreign partnerships on Form 1014, and by foreign organizations on Form 1016 shall be printed, as prescribed by regulations, in the English language, and directly under each line of the English text, on each of the above mentioned certificates, there may be printed the text of said certificate in a foreign language.

In executing these certificates, however, all blanks to be filled in, with amounts, shall be filled in using United States dollar values.

These certificates shall be of the same size as prescribed by regulations for all certificates of ownership.

W. H. OSBORN, Commissioner.

Approved:
W. G. McADOO, Secretary.

OPINIONS OF GENERAL COUNSEL.

Summary of Questions Received and Opinions Rendered to Members of the Association.

FORGERY OF PAYEE'S INDORSEMENT ON CERTIFICATE OF DEPOSIT.

Bank bound to know indorsement of depositor as payee, similarly as in case of signature on check, and cannot recover money paid to bona fide holder on forgery thereof—But this rule, based on and limited to cases where bank keeps a file of signatures of depositors to whom certificates issued and where signature not kept, rule would not apply and money paid on forged indorsement would be recoverable.

From Iowa.—Referring to the JOURNAL of the American Bankers Association for the month of August, I notice on page 89 your opinion to the effect that the issuing bank would be the loser in case it paid a certificate of deposit on which the payee's indorsement was forged even though this certificate had been cashed at some other bank. I would respectfully suggest that this opinion seems to be in direct contrast with general banking practice. In fact, I am quite sure that many banks do not even attempt to keep a file of signatures for depositors taking certificates. Again, in many cases depositors purchase demand certificates payable to non-resident parties. I am writing this letter with all due respect and with the idea merely of getting as full information as possible in regard to this point.

The statement in the August JOURNAL, page 89, that "so far as the authorities have gone, the courts hold that banks are bound to know the sig-

natures of customers who hold certificates of deposit, and if they pay on a forged indorsement of the payee to a bona fide holder they cannot recover money paid," was based on the two decisions of Stout v. Benoist, 39 Mo. 277 and State Nat. Bank v. Freedmen's Savings & Trust Co., 2 Dill. (U. S.) 11. In the Missouri case a certificate of deposit was stolen from the payee and his indorsement forged. The bank having paid the certificate to an insurance company which took it for collection afterwards brought suit to recover the money. The court denied recovery and applied the rule, of familiar application in the case of checks, that a bank is bound to know the signature of its customer. In the case in 2 Dillon the same rule was recognized that the bank is bound to know the payee's indorsement on the certificate of deposit, but the case was differentiated and the rule held not to apply where the signature was by mark. The court said: "The rule of law usually is, that where a certificate of deposit is issued by a bank and it comes back to the bank issuing it with the indorsement of the depositor through the hands of bona fide innocent parties, the indorsement being forged, the bank paying the deposit certificate must lose it; that they are presumed to know the signatures of their customers and the bank issuing the certificate has the means of verifying the signature."

In view of the statement that many banks do not keep a file of signatures for depositors taking certificates and that in many cases the depositors purchase demand certificates payable to non-resident parties, the reason of the rule holding the bank bound to know the signature would not seem to apply in such cases, and I have made a re-examination of the question to see if any modification of the statement, based on the above cases, is required.

It is a familiar law that the maker of a promissory note is not bound to know the signature of the payee, and it has recently been held that a bank which issues a cashier's check is not bound to know the signature of the payee any more than in the case of a negotiable promissory note. Yatesville Banking Co. v. Fourth Nat. Bank, 72 S. E. (Ga.) 528; and unless the depositor to whom a certificate of deposit is issued files his signature with the bank, the reason of the rule holding the bank bound to know the signature of its customer upon a check and denying recovery of money paid to a bona fide holder upon a forgery thereof, would not apply and the bank paying a certificate of deposit upon a forgery of the payee's signature should, in reason, be allowed to recover the money paid thereon equally as the maker of a note or of a cashier's check.

I have made quite an extended investigation for additional authorities which may have a bearing on this question. Concerning the responsibility as between bank and depositor for the loss of money paid on a forgery of the signature of a payee to a certificate of deposit the following authorities may be cited:

"It is a general principle that a bank must know the signature of the depositor, and if his indorsement be forged to a certificate, the bank is still liable to him notwithstanding it has paid out the amount in good faith." Am. & Eng. Encyc. Law [2d Ed.] Vol. 5, p. 810.

In Honig v. Pacific Bank, 73 Cal. 464, an agent deposited a sum of money and took a certificate of deposit payable to his principal. He afterwards forged the principal's indorsement and drew out the deposit. In an action by the principal against the bank it was held that the bank was liable. In the trial of this case the following testimony as to custom of the bank in the matter of the register of signatures in the case of the issuance of a certificate of deposit was given by the cashier: "The register book of certificates of deposits is a signature book, or book of identification, which is placed before a person making a deposit in this way, and in which he writes his name then and there; and opposite to that man's name is the amount that the certificate is issued for and the number; and on the return of that certificate to the bank, the paying teller is required to examine and compare the signature of the indorsement with the signature of the party depositing the money; and if that signature is not genuine, and has not the appearance of being genuine, and written by the party who deposited the money, payment is refused upon it."

In Fiore v. Ladd, 29 Pac. (Ore.) 435, the plaintiff, Fiore, could neither write nor speak English. He went with A to defendant's bank to deposit $800. A signed Fiore's name in the signature book and deposited the money. A certificate of deposit was issued in the name of Fiore, which A subsequently gained possession of by fraud. Thereafter A brought the certificate to the bank indorsed as in the signature book and the money was paid him. The court held Fiore could not recover; that the contract of deposit was made with A and the bank had a right to assume in the absence of suspicious circumstances, that the name assumed by A was his true name. In this case it was shown to be the custom of banks to take the signature of the payee when issuing a certificate of deposit, in a signature book kept for that purpose, and where the payee cannot write, then it is the custom to ask him questions, the answers to which are entered in the signature book as a means of identification.

In Frankfort First National Bank v. Bremer, 7 Ind. App. 685, where a depositor had certificates of deposit stolen from him, and his name forged thereon by way of indorsement, upon the strength of which the issuing bank paid the certificates, without the knowledge or consent of the depositor, it was held that the bank was still liable to such depositor, where it was not shown that he had been guilty of negligent conduct in the loss of the certificates, or delayed in notifying the bank of the loss as soon as he discovered it; and this was held to be the case even where the issuing bank had relied upon the indorsement of the bank which first cashed the certificates and of other banks through which the certificates had subsequently passed for collection.

In Devine v. Baldwin, 91 Wis. 68, an action to recover the balance due on a certificate of deposit, the following instruction was held proper: "That a payment, in order to be valid, must be made to the plaintiff or to some one authorized to receive the money; that if any one not authorized got possession of the certificate, without negligence on the part of the plaintiff and without authority from him, payment to such person, though in good faith, would not be a good payment."

The above authorities would indicate two things: (1) that in many parts of the country it is, or has been, the custom for banks when issuing a certificate of deposit to take the signature of the payee in a signature book kept for that purpose, and (2) as between bank and depositor (differing from a savings account where, in pursuance of passbook rules payment upon a forged order of the depositor is generally held to relieve the bank from responsibility to its depositor provided it has used reasonable care) the payment of a certificate of deposit upon a forged indorsement of the depositor does not protect the bank unless, perhaps, the depositor has been negligent. The Oregon case, where the bank was protected, went on the theory that the person signing the signature book was in reality the depositor.

Coming now to the question of the bank's right of recovery of money paid upon a forged signature of the payee to its certificate of deposit. In addition to Stout v. Benoist and State National Bank v. Freedmen's Savings & Trust Co., above referred to as holding the rule that a bank is presumed to know the signature of its depositor as payee of a certificate of deposit and cannot recover the money paid upon a forgery thereof, there is the further case of Merchants Bank v. Marine Bank, 3 Gill. (Md.) 96. In that case a certificate of deposit was lost, and the signature of the original payee was forged on the certificate, in which condition it was presented by another bank to the bank of issue and paid; afterwards the forgery was discovered, and the bank which issued the certificate paid the original payee, and then brought an action to compel the bank which

had presented the forged certificate to refund. The court held that the latter bank was liable for the amount, unless it could show that, at the time the demand was made upon it to refund, it was a bona fide holder for value; and that such bank would not be considered a bona fide holder of the certificate if, at the time the forgery was discovered and demand for reimbursement made, it had a balance to the credit of its immediate indorser as great or greater than the amount of the certificate; the entry of such credit not being conclusive upon the bank, or such as would preclude it from correcting the account after the discovery of the forgery.

In the Maryland case last above cited, it is seen, that equally with the two cases above referred to, the rule is recognized that a bank is bound to know the payee's signature to a certificate of deposit and cannot recover from a bona fide holder the money paid upon a forgery thereof; but in the Maryland case where the bank receiving the money still held the proceeds in its possession, it was held not to be a bona fide holder, and therefore must refund.

These three decided cases which declare the rule that the bank is bound to know the signature of its depositor upon a certificate of deposit, and cannot recover upon a forgery thereof are all doubtless based upon a practice of banks to keep a record of such signatures, the same as it keeps a signature book of depositors on general account. In State National Bank v. Freedmen's Savings & Trust Co., the court in giving a reason why the bank is bound, says "for they are presumed to know the signatures of their customers and the bank issuing the certificate has the means of verifying the signature." Likewise the court in Stout v. Benoist says: "Considerations of convenience and public policy imperatively demand and require this rule. Bankers have the means in their own hands, by acquiring an intimate knowledge of the signatures of their customers, of protecting and securing themselves against impositions and forgeries. They alone possess the means of knowing, when paper is presented to them, whether the signatures or indorsements are genuine. And if these means are not employed, it is evidence of a neglect of duty which the public have a right to require of them for its safety."

It would appear therefore that these decisions holding a bank bound to know the signatures of its depositors as payees of certificates of deposit—and I can find no cases holding the contrary—are based on the fact or practice of banks keeping a record of such signatures on file, and that where this practice does not prevail, the reason upon which such decisions are based is wanting. I think it quite probable, therefore, that in any case where a certificate of deposit is issued without the signature of the payee being taken and filed as a means of identification or in a case where a depositor purchases a certificate payable to a third party, the courts would hold the bank was not bound to know the signature of the payee, and if it paid upon a forgery of such signature would have the same right of recovery of money paid under mistake of fact as in the case of payment upon a forgery of the signature of the payee to a cashier's check or ordinary negotiable note. Where, however, it is the custom or practice for banks which issue certificates of deposit to keep a file of the depositors' signatures for identification, the rule declared in Stout v. Benoist would be held to apply.

It has not been customary, in stating this rule, to make any distinction between certificates of deposit issued where the depositor's signature is taken and those where no file of the payee's name is kept. For example, in the recent edition of Daniel on Negotiable Instruments (6th edition, Sec. 1,700), the law is thus stated: "A bank is chargeable with knowledge of its depositor's signature, and if it issue a certificate of deposit payable to his order and his name be forged as indorser and the bank pays the amount to a bona fide holder, it has been held that it cannot recover back such amount from him." Citing Stout v. Benoist, 39 Mo. 277. But it would seem on principle and reason that this rule would only apply where the bank has the payee's signature on file, and would not apply in the case where no record was kept of the signatures of payees. The cases holding the above rule are clearly based on the custom or practice of recording or filing the signatures of payees. I think the rule declared in those decisions should be limited to such cases, and that it is proper in any statement of the law to distinguish such cases from those where the payee's signature is not kept, and to say that on principle in the latter class of cases the bank would have the right to recover the money paid on a forgery of the payee's indorsement of a certificate of deposit equally as in the case of forgery of the payee's signature to a cashier's check or negotiable note issued by any maker.

RIGHT OF SURETY TO PLEAD USURY.

Where a National bank makes a loan to A upon his note, which is signed by B as surety and the transaction is usurious, the surety may defend on the ground of usury to the same extent as the principal debtor.

From Oklahoma.—We would thank you for your opinion upon the following: Suppose we, a National bank, loan A $100, taking his note for $106. This is usury. B signs the note as surety. In a suit against B to collect this note, $106, can he plead usury?

The Oklahoma statute provides that the legal rate of interest shall not exceed six per cent. in the absence of any contract, and by contract parties may agree upon any rate not to exceed ten per cent. per annum. I assume in the case stated the loan is for a period less than a year so as to make it usurious under this statute.

The general rule is that when the sole consideration of the surety's promise is the same as that for the principal debtor's, that is, a loan made or credit given to the principal, the surety should be allowed to take advantage of the existence of usury in that consideration to the same extent as the principal debtor. Gray v. Brown, 22 Ala. 262; Austin v. Fuller, 12 Barb. (N. Y.) 360.

The National Bank Act (R. S. 5198) provides as a penalty for usury by a National bank where the illegal interest has been reserved or charged, forfeiture of the entire interest which the note carries or has been agreed to be paid thereon. In a suit, therefore, by your bank against B, the surety, to collect the note in question, the principal sum loaned, but no interest, would be recoverable.

INDORSEMENT "FOR IDENTIFICATION ONLY."

Where indorsement of payee of check is forged and subsequent holder indorses and procures cash from purchasing bank upon faith of an indorsement by customer of bank "for identification only," opinion that indorser for identification warrants not only that indorser is the person he represents himself to be, but also that he is the bona fide indorsee with good title—Further question discussed as to probability of establishing genuineness of payee's indorsement.

From Arkansas.—Recently while our regular teller was on a vacation, our acting teller cashed a $200 Cashier's Check of another bank upon which the paying bank claims the indorsement a forgery. We have a letter from the payee of the item stating that he is not sure whether or not he indorsed the check, but he does say that it was his intention to indorse the item and leave it to be forwarded to him later; but he then says that he didn't indorse and asks issuing bank to stop payment, claiming item stolen from him. The indorsement and his signature while not ex-

actly alike, agree in general. We have presented the item to the paying bank and they refuse to honor. Our customer who indorsed the item for identification only, and to whom we charged the amount, upon the refusal to pay by the paying bank, has compelled us to settle with him. Our first question is: When one indorses a check, draft or other negotiable instrument for identification (without naming identification of whom) does he assume liability further than guaranteeing the indorsement of the one particular indorser he had in mind when indorsing "for identification only?" If he does assume further liability, what and to what extent? Would we, under the circumstances, be justified in bringing suit against the bank issuing the check, which bank also refuses to honor the item? If the payee makes affidavit that his indorsement is a forgery, notwithstanding his letter which we have, what would be the probable outcome?

This is a case of a cashier's check upon which the issuing bank has refused payment upon request of the payee on claim that his indorsement is a forgery and that the check was stolen from him. The check bearing indorsement of the payee now in dispute, was as I gather the facts—although they are not clearly so stated—brought into your bank by a person who also indorsed it, accompanied by your customer who also placed his own indorsement thereon "for identification only," and you thereupon cashed the check for the holder. Assuming these to be the facts I will consider first the question of your recourse upon the issuing bank.

If the payee's indorsement was in fact genuine, assuming he indorsed in blank, the fact that the check was stolen from him and negotiated would not prevent you as an innocent purchaser for value from recovering from the drawer or in fact from the indorser. The Negotiable Instruments Act provides that "where the instrument is in the hands of a holder in due course a valid delivery thereof by all parties prior to him so as to make them liable to him is conclusively presumed;" and it has been held that a holder in due course can recover upon a negotiable note indorsed in blank by the payee and stolen from him. Mass. Nat. Bank v. Snow, 187 Mass. 159; Greeser v. Ingarman, 76 N. Y. Supp. 922; Poess v. Twelfth Ward Bank, 86 N. Y. Supp. 857.

The question, then, upon this branch of the case is whether there is probability of establishing the genuineness of the payee's indorsement. On the one hand, the payee now denies that he ever indorsed and it is contemplated he may make an affidavit that his indorsement is a forgery. On the other hand, he has written a letter stating that he intended to indorse and that he is not sure whether or not he did indorse, and there is the further fact of a general similarity between his indorsement and his signature to the letter. If you had a good handwriting expert within reach who would not charge an exorbitant fee, it might be wise to have him make a comparison of the genuine with the disputed signature and be guided by his judgment, and if his opinion is that the indorsement is genuine and especially if the payee, when brought to the test, will not positively swear that he did not indorse but only to a belief that he did not indorse based upon lack of memory that he did indorse, but not excluding the possibility that he may have indorsed and forgotten the fact, it might be well to bring action against the drawer of the check. The decision of this question whether there is good chance of establishing the genuineness of the payee's indorsement rests with you who, being upon the ground, have all the facts in detail.

Coming now to the second question whether your customer who indorsed the check "for identification only" can be held liable to you. He did not personally receive the money, and what if any liability he is under is to be determined by the legal effect of his indorsement.

Had your customer simply indorsed the check in blank without adding the words "for identification only" he would be liable to you as an indorser; that is to say, his engagement would be that if duly charged upon non-payment he would himself pay it, and he would also warrant the genuineness of the prior indorsement. See, for example, Alabama Nat. Bank v. Rivers, 116 Ala. 1, where a person who went to a bank for the purpose of identifying the payee and at the instance of the cashier himself indorsed the paper, was held liable as indorser, and the court held that the legal import of the contract could not be varied by proof that the indorsement was only for the purpose of identification.

But in your case the customer has expressly stated in his indorsement that it is "for identification only" and this it would seem would negative any engagement to pay in case of dishonor of a genuine instrument and leave the question what, if any, liability he assumed by indorsing "for identification only." In Lahay v. City Nat. Bank of Denver, 15 Colo. 339, a check was drawn payable to one Phillippe. One D'Armenthal, representing himself as Phillippe, went to the bank requesting payment and was accompanied by a customer of the bank who orally identified D'Armenthal as Phillippe, mistakenly believing him to be Phillippe, whereupon the money was paid to D'Armenthal. The customer was held liable to the bank in an action of deceit for having made a false representation of a material fact for the purpose of inducing the bank to rely on it, the bank having acted upon such representation to its injury.

Your case is similar except that the person identified by your customer was not the payee but a subsequent indorser and the identification was made in writing. If this check had been payable to John Doe, and Richard Roe had presented it with a forgery of John Doe's indorsement, and your customer had identified Richard Roe as the payee, John Doe, he would be clearly liable. But in the present case the person identified does not purport to be the payee but an indorsee of the payee and, assuming this check payable to John Doe and bearing a forgery of John Doe's indorsement is presented to your bank by Richard Roe and so indorsed by him, and your customer accompanies him and also indorses "for identification only," the question is whether this identification is simply a warranty that Richard Roe is Richard Roe—assuming this to be the fact—or is to be construed as a representation that Richard Roe, the person identified, is an indorsee of the payee and has good title and right to convey the instrument.

While the precise point has not, so far as I know, been decided I think that on principle one who identifies a subsequent holder and indorser of a negotiable instrument to a bank for the purpose of enabling such holder to obtain the cash thereon, does more than merely represent that Richard Roe is Richard Roe, which may be true, but further represents and warrants that the person identified is the true indorsee, having good title.

If this view is correct your customer would be liable to you, assuming the payee's indorsement a forgery, upon his identification of the subsequent holder for whom you cashed the check; but of course if it should prove that the payee's indorsement was genuine, your customer would not be liable as his indorsement "for identification only" would preclude the engagement of an ordinary indorser, that if not paid when due and he is duly charged, he will himself pay the amount.

FEDERAL JURISDICTION IN BANK CASES.

United States courts had jurisdiction in cases brought by and against Second United States Bank but not in cases by and against First United States Bank—Jurisdiction of United States courts in cases in which National banks are parties.

From New York.—Did the United States courts have jurisdiction in cases brought by or

against the First and Second United States Banks?

What is the history of the jurisdiction of the United States courts in cases in which National banks are parties?

The reply to the first question is that the United States courts did not have jurisdiction in cases brought by and against the First but did have jurisdiction in cases brought by and against the Second United States Bank.

The charter of the First Bank gave it a right "to sue and be sued in courts of record or any other place whatsoever," and it was held in Bank of U. S. v. Deveaux, 5 Cranch 61, 85, 86, that this did not confer the privilege of suing in the Federal courts, they not being expressly mentioned.

But the act of 1816 incorporating the Second Bank gave it power "to sue and be sued in all State courts having competent jurisdiction and in any circuit court of the United States," and it was held in Osborn v. Bank of the United States, 9 Wheat. 738 (see page 816 et seq.), that (1) the act of incorporation conferred jurisdiction on the circuit courts of the United States if Congress could confer it, and (2) that the clause in the act of incorporation which authorized the bank to sue in the Federal courts was constitutional. I will not take time to go into the reasoning underlying this ruling. See, also, Bank of U. S. v. Northumberland Bank, 2 Fed. Cases 931.

As to the jurisdiction of the United States courts in cases in which National banks are parties, the United States statutes (Rev. Stat. U. S., Sec. 629, Subdiv. 10) formerly conferred jurisdiction upon the Circuit Court of all suits brought by or against any National bank established in the district for which the court was held. But this was repealed by the Act of July 12, 1882, which provided that the jurisdiction of suits by and against National banks, except suits between them and the United States or its officers and agents, shall be the same as and not other than the jurisdiction for suits by or against banks not organized under any law of the United States. And by Act of August 13, 1888, National banks for the purposes of all actions by or against them and all suits in equity were to be deemed citizens of the States in which they are respectively located; and in such cases the circuit and district courts of the United States shall not have jurisdiction other than such as they would have in cases between individual citizens of the same State. These provisions, however, do not affect the jurisdiction of the courts of the United States in cases commenced by the United States or by direction of an officer thereof or cases for winding up the affairs of a National bank.

ATTACHMENT OF CONTENTS OF SAFE DEPOSIT BOX.

The contents of a safe deposit box belonging to a box renter are subject to attachment, and according to the weight of more recent authority, the bank may also be garnished for such contents.

From California.—Frequently we are confronted with the question of whether a safe deposit box can be attached. As you appreciate, the box is not actually in our possession; the renter is furnished with two keys—the only ones in existence for the particular box—and the bank holds a master key fitting all boxes, but no box can be entered without the use of the customer's key. Your opinion on this question will be appreciated.

The contents of a safe deposit box situated as described by you are subject to attachment in a proper action, or execution, by a creditor of the lessee; and according to the more recent authorities the bank is also subject to garnishment proceedings, although in some of the earlier cases the bank was held not subject to garnishment.

The general rule is that all the goods and chattels of a defendant are subject to attachment for his debts, provided they are liable to be taken and sold on execution. (Jennings v. McElroy, 42 Ark. 236; State v. Lawson, 7 Ark. 391; Gay v. Southworth, 113 Mass. 52; McCullough v. Carragan, 24 Hun (N. Y.) 157.

In U. S. v. Graff, 67 Barb. (N. Y.) 304, it was held that an order directing a sheriff, under an attachment, to open a safe and tin box containing the property and securities of defendant, on deposit in a trust company, and to take therefrom and safely keep the property and evidences of debt, liable to attachment, found therein, is not improper. Held, further, that such safe and box are not within the protection which the law affords to a debtor's dwelling house against an officer acting under civil process. They are simply places of deposit and safekeeping, which the sheriff may enter to make the seizure required by law, in the execution of the process. In the course of the opinion, the court said: "If that were not so, there would be nothing to prevent a failing or insolvent debtor from turning all of his property into valuable securities or other articles requiring but little space for their custody, and then placing them in the hands of a safe deposit company for preservation, and defying all the efforts of his creditors to satisfy their debts by resorting to them. That would form an expedient for the success of fraudulent devices, which might render the laws of the State for the collection of debts entirely powerless. No such effect could be given to a deposit of that nature without at once defeating the object plainly designed to be secured by the law in rendering the debtor's property liable to the process issued in favor of his creditors in actions brought to recover their just debts."

In Tillinghast v. Johnson, 82 Atl. (R. I.) 788, the court said (at page 792): "A sheriff, charged with the service of a writ of attachment or an execution, would have authority to attach or to levy upon a sealed parcel or a safety deposit box, belonging to the defendant, if he was able to find the same within his precinct, to open either of them to inventory the contents, and, if the same was taken upon execution, to sell sufficient of the contents, not exempt from attachment, to satisfy such execution."

Where an attachment issues it devolves upon the depositary to see that it is fair and regular on its face; and property so taken will constitute a defense to the depositary, which is not required to examine further than the validity of the process. In neither the issuance of an attachment nor a search warrant is the depositary called upon to determine on the validity of the judgment or the sufficiency of the information. Bliven v. Hudson River R. Co., 35 Barb. (N. Y.) 188; and see Roberts v. Stuyvesant Safe Dep. Co., 123 N. Y. 57, where defendant was held to be negligent in surrendering property on a defective search warrant.

Differing from attachment, the courts in some of the earlier cases held that a bank was not subject to garnishment proceedings with reference to the contents of safe deposit boxes leased by it.

In Bottom v. Clark, 7 Cush. (Mass.) 487, a bank was summoned as garnishee of the defendant. In its answer the garnishee disclosed that the only property of the defendant in its hands was contained in a small locked trunk, which the bank had permitted the defendant to place in its vaults for safekeeping; that it had no knowledge of the contents of the trunk. The court held that the garnishee should be discharged.

Also in Gregg v. Hilson, 8 Phila. (Pa.) 91, it was held by Sharswood, J., that the contents of a safe rented by a safe deposit company to a customer and locked by him "are in the actual possession of the renter of the safe" and are not subject to attachment by garnishee process. See, also, Wood v. Edgar, 13 Mo. 451; Case v. Dewey, 55 Mich. 116; Gleason v. South Milwaukee Bank, 8 Wis. 534.

But later cases have held that in an action against a customer, garnishee process may be had against

the bank or company which has leased him a safe deposit box.

Thus in Trowbridge v. Spinning, 23 Wash. 48, a bank leased a compartment and box in its safety deposit vaults to a lessee. The bank had no means of opening or obtaining access to said compartment and box and no knowledge of the contents thereof, but the lessee could not open the same until the bank first used a key in its own possession. A creditor of the lessee having garnished the bank, the superior court found that the latter was not indebted to the defendant nor had in its possession or control any property or effects of defendant, and discharged the garnishee. The Supreme Court reversed the judgment and held: A garnishee in this State (Washington) must answer not only as to his indebtedness to the defendant, but also as to the property of defendant in his possession or under his control. In this case the garnishee bank had control of the contents of the box, for defendant could not remove its contents without the consent of the garnishee, and while it was impossible for the garnishee to answer specifically as to the contents, the court could inquire as to such contents by examining defendant as a witness and by requiring an inspection. After service of the writ, it was the duty of the garnishee to retain exclusive control of the box until discharged by the court.

In Washington, etc., Co. v. Susquehanna Coal Co., 26 App. D. C. 149, the court said: "Property of a defendant in a safe deposit box of a trust company is either in the possession of the defendant or in the possession of the trust company. If it is in the possession of the defendant, under the Code, it appears liable to attachment and execution. If it is in the possession of the trust company, such company may be garnished therefor, as in possession of personal property of the defendant capable of being seized and sold on execution. A mere device to guard from intrusion the defendant's property in the vault of the trust company neither divests the defendant of his property nor releases the company from its charge of defendant's property. There is no magic in two keys, a master key and a customer's key, to put property belonging to a defendant in an attachment beyond the reach of creditors and the process of the courts. If there were a doubt respecting the term 'possession,' there can be no doubt that property deposited by a defendant in a safe deposit box of a trust company is the defendant's property, in the hands of and in charge of the trust company; and, by the terms of the Code, the trust company is liable to be garnished therefor."

In Tillinghast v. Johnson, supra, it was held that a safe deposit box, kept in the vault of a safe deposit company subject to its general control, access to which can be obtained only under restrictions imposed by it, is in its possession, although the box has been rented to a customer and can be opened only by the joint use of a master key in the possession of the company and a key in the possession of the customer, and hence is subject to attachment by garnishee process against the company in an action against the customer.

The practical answer, therefore, to the question you submit is that the contents of a safe deposit box are a proper subject of attachment and, according to the weight of authority, the bank may also be garnished for such contents. Space will not be taken to discuss in detail the difference in the character of procedure between attachment and garnishment. The importance of the distinction lies in the duties involved. In attachment the goods themselves must be seized. It will not, generally speaking, be sufficient to serve a writ on the bank and stop there, but the box must be entered and the goods attached. They are thus brought into the custody of the court and the bank is relieved from further liability. In garnishee process, service of the writ on the bank officer would be sufficient; it is not necessary that there be an actual seizure of the goods; but after service of the writ the garnishee stands in practically the same relation to the creditor that he formerly did to the customer, and if he thereafter allows the box renter to take away the goods, he will be liable.

DEPOSITOR'S NOTE PAYABLE AT BANK.

Under Negotiable Instruments Act, except where modified in certain States, it is the duty of a bank whose depositor has made his note payable at the bank, to pay the same at maturity, the funds being sufficient, although there is no other express instruction from the depositor to pay.

From Missouri.—A note made payable at the First State Bank is sent to the same bank for collection. The maker has a credit balance equal to the note. What should the bank do?

Section 87 of the Negotiable Instruments Act of Missouri (and the same provision is contained in the act in other States, with certain exceptions which will be hereafter noted) is as follows:

"Section 87.—Where the instrument is made payable at a bank it is equivalent to an order to the bank to pay the same for the account of the principal debtor thereon."

In view of this provision, I should say, in answer to the question presented, that at maturity, having sufficient funds, it would be the duty of the First State Bank to pay the note and charge it up to the maker's account.

There seems to be considerable misunderstanding of the legal effect of the above quoted section of the Negotiable Instruments Act, and it may be pertinent to make a brief explanation. Before the enactment of the Negotiable Instruments Act in the various States, three conflicting rules prevailed in different jurisdictions concerning the duty of the bank with reference to depositors' notes made payable at bank. It was held (1) in New York and other States that it was the duty of the bank to pay at maturity if in funds; (2) in Indiana and other States the bank was held authorized but not obliged to pay, and (3) in Tennessee and other States it was held that the bank had no authority to pay without express instructions from the depositor.

To illustrate this I will cite one case from each of these States.

Indig v. National City Bank, 80 N. Y., 100. A note was made payable at the Bank of Lowville, at which bank the maker was a customer. The defendant bank, which held the note for collection, sent it by mail direct to the Bank of Lowville and the note reached that bank on the day it fell due. Upon the next day the Lowville Bank sent its draft on New York in payment and on the same day failed. The question involved in the case was whether there was negligence on the part of the collecting bank in forwarding the note direct to the payor. I quote from the language of the court in the course of its opinion to illustrate the New York rule upon the point we are considering: "The note, in so far as relates to its presentment at the bank, and the duties of the bank in respect to it, was equivalent to a check drawn by the maker upon the bank where the note was made payable. (Aetna National Bank v. Fourth National Bank, 46 N. Y. 83.) The bank owed a duty to its customer to pay it on presentation, if in funds. . . . The bank on which the note is drawn has nothing to do but to pay the note if in funds, and if not, to refuse to pay."

2. Bedford Bank v. Acoam, 125 Ind., 584, a note made payable by a depositor at the Bedford Bank was received by the bank for collection and the bank remitted the amount due and charged it against the depositor's account. This was done without notice to the depositor, who repudiated the act of the bank and sued it to recover a balance which, it was conceded, he was entitled to recover unless the bank had the right to charge the account with the amount of the note. The court held that the bank was authorized to pay the same without notice to or special instruction from its depositor. The court said: "Many well-considered cases go to the full extent of holding that a note payable at a banking house is in effect the equivalent of a check or a draft on the bank in

favor of the holder of the note; and that the bank is in default if it allows the paper to go to protest in case the maker has money due him from the bank on account generally applicable to the payment of drafts or checks. Bank v. Henninger, 105 Pa. St. 496, 20 Cent. Law J. 144; Indig v. Bank, 80 N. Y. 100; Aetna Nat. Bank v. Fourth Nat. Bank, 46 N. Y. 82. See also Rand. Com. Paper, § 1441; 1 Daniel Neg. Inst., § 326a; 2 Morse, Banks, § 557; Bolles, Banks, § 403. A contrary view has, however, been vigorously maintained. Grissom v. Bank, 87 Tenn. 356, 10 S. W. Rep. 774; Bank v. Patton, 109 Ill. 479. While we are not inclined to the view that a promissory note negotiable and payable at a bank in this State is in all respects the equivalent of a check drawn by the maker against a fund on deposit in the bank, so as to require the banker to pay the note on presentation out of funds applicable to that purpose, we can conceive of no valid reason why a note or bill thus drawn shall not be held to authorize the banker to pay, and thereby become subrogated to all the rights of the holder to the same extent as if it had purchased the paper after maturity. One who has drawn a note or bill payable at a bank must have done so for some purpose, and he cannot be heard to say, after his banker has paid a just debt for which he had given a note, to which the maker claims no defense, that the payment was wholly voluntary and unauthorized. In such a case the banker who has paid the note is entitled to hold it as the equitable owner or purchaser, and is entitled to set it off in a suit to recover a balance due the depositor on a general account."

3. Grissom v. Commercial National Bank, 87 Tenn. 356. A depositor made his note for $1,000 payable 60 days after date at the Commercial National Bank. On the day of maturity the note was presented for payment at the bank by another bank and marked "good," and on the following business day was paid and the amount charged to the depositor in the same manner as though it had been a check. The depositor sued the bank for the balance represented by the note. The court held that the note was not the equivalent of a check and that the bank had no authority to pay it in the absence of a well-established custom or instructions from the depositor to that effect. It appeared that the depositor, without knowing that his note had been paid, had made a settlement in which he had credited the amount of the note. The court held the bank could not charge the payment. After exhaustively discussing the question and citing opposing authorities, the court said: "We hold, therefore, that there is no implied authority for a bank to pay to a third party a note made payable at its place of business simply because of the fact that the maker has funds sufficient for that purpose, in the absence of any course of dealing or previous instructions to so apply the deposits." And with reference to the cases which held that the bank was not bound, but merely had the authority or privilege, to pay its depositor's note, the court further said: "Surely, this will not do, to leave the action of the bank, upon which so many important, not to say intricate, rights of other parties depend, open to the uncertainty that must follow its optional exercise by the bank. We agree with Mr. Daniel, in his work on Negotiable Instruments (volume 1, § 326), that the question should be settled definitely, and not left to the option of the bank. But we think it much sounder and safer to hold that, in the absence of instruction, either expressed or to be implied from previous course of dealings between the maker and his banker, the bank has no authority to apply the funds of its depositor to the payment to third parties of notes payable at its bank."

The above quotations are, I think, sufficient to illustrate the conflict of law which formerly existed upon the question of the duty or the authority of a bank to pay the note of a depositor made payable at the bank, without express instructions from him, and it was to remove this conflict and provide a uniform rule that the provision was inserted in the Negotiable Instruments Act that "where the instrument is made payable at a bank it is equivalent to an order to the bank to pay same for the account of the principal debtor thereon." This must be construed, as I take it, to make it the duty of the bank to pay the note at maturity, provided the funds to the credit of the maker are sufficient.

There are certain States, however, which have passed the Negotiable Instruments Act and intentionally eliminated therefrom the above section. These States, according to my record, are Nebraska, Illinois, and South Dakota. Furthermore, the legislature of Minnesota, where the act took effect July 1 of this year, changed the section to read as follows:

> "Where the instrument is made payable at a bank it shall not be equivalent to an order to the bank to pay the same for the account of the principal debtor thereon."

In the above four States, therefore, the rule as to notes payable at a bank differs from the rule provided by the Negotiable Instruments Act elsewhere prevailing.

Upon the merits of the rule which makes an instrument payable at a bank equivalent to an order to pay, there is much which can be said on both sides, and I will not prolong this by attempting any discussion of this branch of the subject. The Grissom case in Tennessee contains a very full and exhaustive presentation of about everything that can be said against the policy of the rule. Aside from its merits or demerits, it appears, however, that, in many sections of the country, makers of notes, especially in country districts, do not understand when they sign their names to a form of note with a printed clause making it payable at their bank, that in so doing they are giving an order on the bank to make payment at maturity. They rest under the belief that the note will not be paid unless they expressly instruct the bank to pay it. But the rule now established would seem to clearly provide the contrary, and when it comes to be more fully understood it will operate, doubtless, without hardship to the depositor as well as for the convenience of the bank. The maker of a note made payable at his bank will understand that he has given an order on his banker to pay the amount at maturity, and if any good reason arises in the interim why the note should not be paid, he has the right to revoke the order by notifying the bank not to pay.

SCHOOL DISTRICT WARRANT.

Not negotiable and not subject to protest.

> From New Mexico.—A warrant drawn by the directors of a school district on the County Treasurer of the County for $155 was sent to a supply company in Denver, Colo. The item was deposited in a Denver bank and after going through two New Mexico banks was sent to us for payment as a cash item. The warrant was duly approved by the County Superintendent and we presented it to the County Treasurer for payment. The Treasurer refused payment on account of "insufficient funds in District fund to cover." Whereupon we handed the item to a notary for protest and returned the same duly protested to our correspondent. The Denver bank returned the item, refusing to acknowledge the fee and stating, "while school warrants are handled as cash items they are not subject to protest." However, we contend that these warrants are negotiable instruments and subject to the same conditions of other instruments of the same nature, and would like to have your opinion in the matter. Any light you can throw on the subject will be greatly appreciated.

The general rule is that warrants, drafts, or orders drawn for payment of municipal debts by one public officer on another are not negotiable instruments, and this class of instruments includes school district warrants. Fox v. Shipman, 19 Mich. 218; School District No. 2 v. Stough, 4 Neb. 357; State v. Huff, 63 Mo. 288. Where the instrument is non-negotiable it is not subject to protest.

SET-OFF UNMATURED NOTE AGAINST DECEDENT'S ACCOUNT.

In Pennsylvania, bank may charge note to account of maker though note does not become due for several days after his decease, provided his estate is solvent; but right of set-off does not exist if estate insolvent.

From Pennsylvania.—A customer of this bank borrowed money from us. The borrower dies. The note becomes due several days after the decease of the borrower, and there is more than sufficient to the borrower's credit on checking account to pay the note. Can the bank charge the note now due to the decedent's account, or must we wait until the estate is settled by Administrator?

According to decisions in Pennsylvania, if an executor or administrator of a decedent should bring an action against a debtor, the defendant could set off a debt of the decedent not due at the time of death, but due when the action was commenced, provided the estate was solvent, but would not have the right of set-off if the estate was insolvent.

Under these decisions it would appear that your bank would have a right to set off the note which fell due several days after the decease of the maker against such decedent's account or more strictly speaking against your indebtedness to his administrator on the deposit account, provided the estate is solvent. But if the estate is insolvent it would appear under the Pennsylvania decisions—although there are, I believe, contrary decisions elsewhere—that the set-off could not be made. I refer to the Pennsylvania cases below which give reasons for the distinction.

In Bosler v. Exch. Bank, 4 Barr. (Pa.) 32, it was held that in suits by or against executors or administrators, when the estate is notoriously insolvent, a debt not due at the time of the death of the testator or intestate, although it became due before commencement of suit, cannot be set off. If, however, the estate of the testator or intestate be solvent, such debt can be set off; and it makes no difference that the debt proposed to be set off was not due at the time of the death of the testator or intestate, if it were due when the suit was commenced; that at the death of the testator or intestate the rights of creditors to the assets become fixed and determined. The court said, inter alia: "A set-off is allowed in a suit brought either by or against executors or administrators, and the fact that the debt proposed to be set off was not due at the time of the death of the testator, or intestate, would make no difference if due when suit was commenced, and the estate be solvent. But is a set-off allowable when the estate is notoriously insolvent? We think not, for the simple reason that it would disturb the course of administration. At the death of the testator or intestate, the executor or administrator is the trustee for the creditors, whose rights to the assets at that time become fixed and determined. Nothing that the executor or administrator can do can alter the course of distribution. If the estate be solvent, the creditors are entitled to receive their whole debt; if otherwise, they have a vested right to a pro rata dividend. It is an unanswerable objection to the decision of the court, that what they assert will be that one creditor may receive the whole amount of his debt, whereas other creditors will receive a pro rata only, lessened by the sum which he has been permitted to set off; this we conceive is not in accordance with justice, for equality is equity, nor consistent with authority. . . . In Murray v. Williamson, 3 Binn. 135, it is admitted that set-off may be made in suits brought by or against executors or administrators, where it does not disturb the due course of administration; from which the inference is, that where it has that effect, a set-off cannot be admitted."

In appeal of Farmers &c. Bank, 48 Pa. St. 57, it was held that in the distribution of the estate of an insolvent debtor, a debt due at the time of his death to him, cannot be set off against a debt owing by him, not then due. Thus, where the decedent was endorsee on notes discounted for his benefit at bank, but due and protested after his death, the bank is not entitled to retain a deposit of money then standing on the books to his credit, as a set-off against his liability on the notes. Expressly following the case of Bosler v. Exchange Bank, supra.

SET-OFF BY DEPOSITOR AGAINST INSOLVENT BANK.

Maker of unmatured note has right to set off note against deposit in insolvent bank—Questionable whether indorser can have note set off against his deposit in insolvent bank unless maker insolvent; except where indorser is accommodated party and the real debtor, he has been held entitled to set off on equitable grounds.

From New Jersey.—1. One of our customers had an account with a defunct National bank, and also had his note discounted with them for an amount l rger than his balance. Has he the right of offset, and should he make tender of the difference between the amount of his balance and the face of the note on the date of maturity of the note?

2. Another case is where a depositor has a balance in the bank in his name and discounted his wife's note with his indorsement, the check for such discount having been made payable to his wife, to hold her under the New Jersey law. Would he have the right of offset in this case?

It is generally held by the courts that a depositor may have his deposit set off against his note that has not matured at the time of the bank's insolvency, whether State or National. See for example, Wagoner v. Paterson Gas Light Co., 23 N. J. Law, 283; Scott v. Armstrong, 146 U. S. 499; Matter of Hatch, 155 N. Y. 401.

Concerning your first question, therefore, the depositor has a right of set-off, and I believe it would be sufficiently exercised and not waived if, at the time the note matures, he tenders to the receiver of the National bank the difference between the amount of his balance and the amount due upon his note.

As to the second question, there is more doubt. An indorser is not primarily liable, and while some cases recognize that if the indorser's liability is fixed he stands in the same position as the maker, and is entitled to the same right of set-off, and if there are several indorsers each may have his deposit set off against the proportionate part of his liability, the amount depending upon the solvency of the other indorsers, Davis v. Industrial Mfg. Co., 114 N. C. 321, it has been held in a number of cases that where the maker is solvent and the amount of the note can be recovered from him, the indorser's right of set-off does not exist. In a recent New York case, Borough Bank v. Mulqueen, 125 N. Y. Supp. 1034 (Supreme Court Kings County, year 1910), a bank to whom a note was given became insolvent, having on deposit money belonging to both maker and indorser. The maker was solvent. The question for decision was "Can an indorser of a note held by a bank, where the maker is solvent, offset his deposit in the bank against the amount due on the note?" The court held that the indorser did not have the right of set-off, and that the insolvency of the maker was a prerequisite. It said: "Although under the rule of offsets the deposit of the note maker, Mulqueen, will be set off against his indebtedness to the bank, yet the indorser, Sparks, will suffer no loss or damage by reason of his indorsement unless payment by him will be final, that is, unless Mulqueen were insolvent so that there can be

no recourse to him. Mulqueen being solvent, to allow Sparks the offset of his deposit would be merely giving him a preference over other depositors. The insolvency of the maker is a prerequisite to offset for the indorser. Chancellor Walworth, in the Matter of the Middle District Bank, 1 Paige Ch. 584, ruled: 'But no such offset should be allowed to an indorser where he is indemnified by the real debtor, or where the latter can be compelled to pay.' A case in all facts similar and applying this rule will be found in New Farmers' Bank's Trustee v. Young, 100 Ky. 683-689, 39 S. W. 46. Also O'Connor v. Brandt, 12 App. Div. 596, 42 N. Y. Supp. 1079; Van Dyck v. McQuade, 85 N. Y. 616."

But where the indorser is the party accommodated, the New York Court of Appeals in 1912 has held that his right of set off exists. Building & Engineering Co. v. Northern Bank, 99 N. E. 1044. On November 30, 1910, two persons for the accommodation of the building company made their three months' promissory note to the latter's order for $20,000, which was indorsed by the company, discounted by the bank and the proceeds placed to the credit of the company. The bank knew that the note was made for the accommodation of the company. The bank failed December 27, 1910, at which time the company had on deposit $24,837. On January 15th, and at various times thereafter, the company demanded an offset. The Court of Appeals upheld the right of set-off and said:

"It is conceded that, prior to the enactment of the Negotiable Instruments Law in 1897, the indorser of a promissory note made as an accommodation for him by another and held by a banking corporation, which before such note became due had become insolvent, could elect to have such note become due and payable at once, and require the representative of such insolvent bank to offset the same against a deposit in such bank to the credit of such indorser. It was, prior to that time, frequently held that under such circumstances an equitable right to offset one claim against the other existed."

The court then proceeded to consider whether the provisions of the Negotiable Instruments Act, which declare that the person primarily liable on the instrument is the person who by the terms of the instrument is absolutely required to pay the same, and that all other parties are secondarily liable and the further provision that an accommodation party is liable to a holder for value notwithstanding such holder at the time of taking the instrument knew him to be an accommodation party, prevented the operation of the principle of equitable offset, and it held that these provisions did not affect such principle. It said:

"It nowhere appears from the Negotiable Instruments Law, or from anything that can be considered in determining the intention of the Legislature, that said sections 3 and 55 were intended to prevent the courts from determining, in equity, all questions between an insolvent holder of a note and the one primarily liable for the indebtedness on the instrument as a matter of fact, whether maker or indorser. In our judgment the authorities mentioned, which hold that under the circumstances alleged in the complaint in this action an offset should be decreed, should be considered as binding upon us in this action, notwithstanding the provisions of the Negotiable Instruments Law. If we assume that in an action at law the makers of the note must arbitrarily be treated as primarily liable thereon, and the plaintiff as secondarily liable thereon, it does not prevent the court, in an action in equity, from determining and enforcing the rights of the parties as the same are found as a matter of fact."

Assuming that the same judicial view would be taken in New Jersey I think if it could be shown that the indorser of the second note referred to, who is the husband of the maker, was in reality the accommodated party, and as between the two primarily liable to pay the note, he would be entitled to set off his liability on the note against his deposit. It might be contended that the fact that the proceeds of the discount were paid over directly to the maker wife in order to make the note binding upon her would negative the inference that the husband was the accommodated party. But notwithstanding this, if the latter was in reality the fact and it was understood by all concerned that he was to be looked to primarily for payment, I think it is probable the offset would be allowed.

CASHIER BUYING HIS OWN NOTE FOR BANK.

Where a cashier gave his own note for a personal indebtedness and then used the bank's funds to buy the note containing guaranty of payment by payee, questions considered (1) liability of payee as constructive trustee receiving funds misappropriated from bank; (2) alternative liability of payee as guarantor.

From Tennessee.—Will you kindly give me your opinion on the following question?

On the first day of January, 1906, John Smith, who was the cashier of the Bank of Jonesville, Tennessee, gave his note for $200, as follows:

Jonesville, Tenn., January 1, 1906.

$200.

Two years after date, I promise to pay to the order of John Doe

Two hundred .....Dollars.

Payable at the bank of Jonesville, Tennessee.

All parties to this instrument, whether makers or indorsers, waive demand, notice and protest, and guarantee the payment of the same.

If suit is instituted on this note I agree to pay ten per cent. attorney's fees and all expenses incurred in its collection, same to be taxed up in judgment.

No.—— Due Jan. 1. 1908.

(Signed) John Smith.

This note was given by John Smith, who was cashier of the Bank of Jonesville, to John Doe, a local merchant in Jonesville, in settlement of his (Smith's) merchandise account for the year 1905. John Doe sold this note to the Bank of Jonesville, indorsing it, on the back, the cashier of said bank, John Smith, who practically had sole authority in said bank, passing on the transaction, buying his own note for his bank. Sometime in 1913 the said John Smith, cashier of the Bank of Jonesville, who was also the maker of the note, was found drowned, under rather suspicious circumstances, and it developed that the affairs of the bank were in bad shape, and that he (Smith) was heavily indebted to the bank. Among other obligations of Smith (who was cashier) was found the note which John Doe had discounted to the bank nearly eight years before, and almost six years past due. John Doe, the indorser, had never had any intimation that the note had not been paid promptly at maturity, till after the death of the cashier of the Bank of Jonesville, which occurred nearly six years after the maturity of the note in question.

Will you please advise if John Doe can be held, as indorser, after all these years, and if the fact that John Doe sold the note to the cashier of the bank, for the bank, knowing at the time that the interests of the bank and the interests of the cashier were both involved in the transaction, made him (John Doe) liable, as a party to the transaction, for Smith's defalcation, if it was a default.

The facts presented raise two questions as to the possible liability of John Doe to the bank, namely (1), is Doe liable as guarantor of payment of the note; (2), irrespective of liability on the note is Doe liable

in the alternative as constructive trustee or participant in a breach of trust on the theory that the money of the bank was used without authority to pay the cashier's personal indebtedness to Doe, who is chargeable with knowledge that it was so used.

To take up the second question first. It is a general principle that all persons who knowingly participate or aid in committing a breach of trust are responsible for the money, and may be compelled to replace the funds which they have been instrumental in diverting. 2 Pom. Eq. Sec. 1079. In pursuance of this principle the following cases may be referred to: Gale v. Chase Nat. Bank, 104 Fed. 214, in which it was held that one who receives the bank's check signed by its cashier in payment of a personal debt must refund to the bank; Home Savings Bank v. Otterbach, 135 Iowa 157, holding that where the cashier paid his personal note by drawing and delivering a draft in the name of his bank, the bank can recover from the creditor; Kitchens v. Teasdale Commission Company, 105 Mo. App. 463, where the cashier signed drafts in the bank's name on its correspondent payable to a Commission Company for the cashier's speculations in wheat, and it was held that the Commission Company was liable to the bank for the amount thereby misappropriated by the cashier; Hier v. Miller, 68 Kan. 258, where the cashier paid his individual debt to his depositor by crediting the amount in the depositor's passbook, which was paid out on the depositor's check, and it was held that the depositor must refund to the bank.

In the first three cases above cited, the cashier gave the bank's official check in payment of his personal debt or note; in the Kansas case, credit was given in the depositor's passbook, and the depositor was permitted to check out the amount. In the instant case we are considering, the cashier used the bank's funds to buy his personal note from the payee which bore the payee's indorsement and guaranty of payment. The facts and decision in the Kansas case will be given a little more in detail before proceeding to a consideration of the case in hand.

In the Kansas case of Hier v. Miller, the cashier was allowed sole charge and conduct of the bank's affairs. He was indebted individually to a depositor and upon different occasions pretended to make payments upon such indebtedness by giving the depositor credit upon her passbook. Such credits were not shown upon any other memoranda of the bank's business, and were not entered upon its books. Upon the final settlement between the depositor and cashier, which resulted in the surrender to him of his last unpaid note, the depositor demanded her balance in bank and the cashier balanced her passbook, and she drew a check for the amount which was paid. No officer of the bank had any knowledge of these transactions except the cashier, and the depositor acted in good faith. Less than two months later the cashier died and the bank was found to be insolvent. Because the books of the bank did not show the transactions above described, the depositor's account appeared to be overdrawn and the receiver brought suit for the balance and recovered judgment. The official syllabus of the court reads as follows:

"1. The cashier of a bank organized under the laws of this State has no implied authority to pay his individual debts by entering the amount of them as a credit upon the passbook of his creditor, who keeps an account with the bank, and permitting the creditor to exhaust such account by checks which are paid, the bank having received nothing of value in the transaction.

"2. If the cashier of a bank, without actual authority so to do, should undertake to pay his individual debts in the manner stated, the bank may recover of his creditor the amount of money it may put out upon checks drawn upon the faith of the unauthorized passbook entries.

"3. The fact that the cashier is personally interested in a transaction of the character described is sufficient to put his creditor upon inquiry as to the actual extent of the cashier's power."

The court among other things said: "It is said that when a bank places an officer at the window, where he transacts its business with the public, it in effect tells the world that he is trustworthy and reliable, and that he will act within the scope of his authority. It does nothing of the kind. Such a declaration would protect a recipient in the enjoyment of a Christmas gift of the entire body of corporate assets. By placing an officer at the window to do its business a bank publishes to the world that he is there to do its business, and not his business; that he has no power or authority to do any act outside the legitimate prosecution of the corporate enterprise; and that it will not be bound by any perversion of the corporate funds to his personal use. . . . But conceding the transaction to be one which the board of directors could have authorized, a careful consideration of the findings of fact discloses no substantial ground for denying the right of the receiver to recover the money of the bank which the defendant obtained. To state fully the reasons for this conclusion would require a discussion of the facts far beyond the proper limits of a written opinion. It may be said in passing, however, that the defendant stands upon precarious ground in invoking the rule of equitable estoppel against the representative of the bank. When the cashier made an entry in the defendant's passbook of the receipt of money by the bank, she knew the recital was false, for she had delivered to the bank nothing of value at all. She knew that something more must be done before she could rightfully demand the payment of her checks. She knew very well that the money was yet to be supplied, and that, unless funds actually were furnished, there was nothing which she could have any right to withdraw. No obligation rested upon the bank, or upon any of its officials as such, to deposit or to transfer funds to the credit of her account. She was required to do that herself, or to see that it was done. If she depended upon her debtor to act for her, it was incumbent upon her to see that he did whatever was required. It did not devolve upon the bank to see that her debtor discharged any duty to her, and when he failed to supply her account with necessary funds the bank was not bound to make good his default. She had no right to ask the bank to return to her money which she never deposited, and which it never in fact received from any source; and when it paid her checks without any money belonging to her in its possession to meet them it was entitled to be reimbursed."

I have quoted from this case at length as the opinion of the court should be helpful in reaching a conclusion in the present case. Here the cashier used the bank's funds in buying his own note for the bank. The note had been given for his personal debt, and was indorsed and payment guaranteed by the payee. Did the cashier have authority to use the funds of the bank to buy his own note, and if the transaction was not a legitimate use of the bank's funds and he had no authority so to do and was acting in his own interest and not that of the bank, was the payee put upon inquiry as to such lack of authority?

In behalf of the payee it could be contended that he was merely discounting with the bank paper of a third party (the cashier in his private capacity being such), and giving to the bank in addition the security of his own guaranty of payment; that he had no actual knowledge that this particular discount was not passed upon by the board of directors in regular form and duly authorized; that the weight attached to the circumstance that the bank held the cashier out to the world as an officer duly authorized to purchase or discount paper should not be entirely negatived by the fact that the cashier was the maker of this particular note, especially as, unless prohibited by statute it is not unlawful for the cashier to be a borrower from his own bank or to discount his personal note. See, for example, Conyngham's Appeal, 57 Pa. St. 474, where the court said: "The officers of banks ought never to be borrowers; but when they become so, we can only apply to them the principles of law applicable to others. Though the complainant may have taken advantage of his place and influence improperly to procure loans beyond what his means justified, and thus involved the bank in embarrassment and loss, the responsibility of that rests upon the directors, who, in dealing with their own officer, ought to have

been especially careful to secure the bank from loss." The cashier, therefore, had apparent authority to purchase this note, and there was nothing in the transaction so out of the ordinary as to put the payee on inquiry especially where, in addition to the cashier's personal liability on the note as maker there was an added liability of the payee as guarantor of payment. Furthermore, six or seven years having elapsed since the purchase of the note during all of which time the bank acquiesced in the transaction and slept on its rights, this would estop the bank from now asserting whatever rights it might otherwise have had.

On the contrary it might be contended that this transaction was in substance the using of the funds of the bank to settle the personal indebtedness of the cashier upon his note; that the transaction was of such character as to put the payee upon inquiry whether the cashier was authorized and, assuming the cashier had no authority to use the bank's funds in this way, the payee was charged with notice that the bank's funds were being misappropriated which would make him liable although discovery of the cashier's wrongdoing was not made for a considerable period of years.

Summing up this branch of the case, if it was one where the cashier's note was made to his personal order and indorsed by him and delivered to the creditor, who obtained its discount by the cashier without personally indorsing or guaranteeing its payment, I think there would be some ground for holding Doe liable as a constructive trustee; but I think the case is to be differentiated from all those cited because of the fact that Doe indorsed and guaranteed payment of this note, and I am inclined to the opinion that this additional fact would probably prevent recovery by the bank from Doe as a constructive trustee, who had received its funds with knowledge of their misappropriation. If Doe had received in payment of the cashier's debt, the bank's check or certificate of deposit signed by the cashier or a credit in his passbook which he checked against, assuming he was a depositor, there would probably be a liability on his part to refund unless there was something in the transaction which would estop the bank; but taking the cashier's personal note and presenting that for discount with his own guaranty of payment would seem to be a different transaction and render him no more liable for being a party to the misappropriation of the bank's funds than if he presented his own personal note for discount and received the proceeds. Of course the bank cannot proceed against Doe both as constructive trustee and as guarantor. If it sues him on his guaranty, it ratifies the discount of the note and deprives itself of any ground to look to him as constructive trustee. If on the other hand it elects to sue him on the latter ground, it would be on the theory that there was no guaranty of payment to the bank, and that the discount of the note and the making of the guaranty of payment was a personal transaction of the cashier in which he wrongfully used the bank's funds. I think, however, it is likely, as above said, that the discount of the note for Doe with his personal guaranty of payment thereon, especially as Doe was an innocent party free from actual fault, would be held a sufficiently legitimate transaction to make him not chargeable as constructive trustee, and that the bank's best recourse would be to ratify the transaction and proceed against Doe upon his guaranty of payment.

This brings us to the second question whether the bank can recover against Doe as guarantor of payment. The note contains the provision: "All parties to this instrument, whether makers or indorsers, waive demand, notice and protest and guaranty the payment of the same." Doe indorsed this note as payee and therefore guaranteed its payment. While in some jurisdictions one who guarantees payment has been held entitled to the exercise by the creditor of due diligence in enforcing his claim against the principal debtor, such a guaranty is generally held to be an absolute undertaking imposing liability upon the guarantor immediately upon the default of the principal debtor and regardless of whether any steps were taken to enforce the liability of the principal debtor or whether notice of the default was given to the guarantor. This latter is the rule in Tennessee. Klein v. Kern, 94 Tenn. 34; Irvine v. Grassfield, 10 Heisk. 425; Taylor v. Ross, 3 Yerg. 330.

For cases in other States where there is a similar rule to that of Tennessee I would refer to the following:

In Cowan v. Roberts, 134 N. C. 415 (46 S. E. 979) it was held that one who guarantees payment of the debt and not merely that the debtor shall be able to pay, or for collection, is liable without regard to the diligence of the creditor in attempting to collect from the principal debtor.

In Miller v. Lewiston National Bank, 108 Pac. (Idaho) 901, a contract of guaranty was indorsed upon a note as follows: "For value received I hereby guarantee the payment of the within note and waive protest, demand and notice of non-payment thereof." It was held under the provisions of this contract of guaranty that the holder was under no obligation to pursue the maker or use any diligence whatever to enforce the collection of the note against the maker or to give notice to the guarantor of the non-payment of the note. The court said: "The contract of guaranty was absolute and not conditional. If the maker failed to pay the note when due, the contract of guaranty was broken and the holder of such note had a right of action against each or all of said guarantors. The holder of such note was under no obligation to pursue the maker or use any diligence whatever to enforce the collection of said note against the maker or to give notice to the guarantors of the non-payment of said note." The court cites a number of authorities from other States to the same effect. See also Sentinel Company v. Smith, 127 N. W. (Wis.) 943.

The note in the present case fell due January 1, 1908, and not being paid, the contract of guaranty was then broken and a right of action then accrued to the bank against Doe the guarantor. This right of action would expire by statute of limitations in Tennessee in six years or on January 1, 1914. In the light of the above cases it would seem that the bank still has a right of action against Doe on the guaranty which however will be lost if it does not begin same before the first of next year, and that the fact that it has waited all these years and not sought recourse of the principal debtor is no defense.

LIABILITY OF COLLECTING BANK.

In New Jersey, collecting bank liable for default of correspondent.

From New Jersey.—In the December number of the JOURNAL there is an opinion, entitled "Failure of Collecting Bank," which so closely resembles a case which we are now trying to unravel that I am emboldened to ask you for an opinion on it. Our customer, A, in the regular course of business, deposited and received credit for a check on a bank, B, in an Arkansas town. We sent the check to our correspondent in Philadelphia, Pa., who sent it to their correspondent in St. Louis, Mo. The St. Louis bank sent it to their correspondent in the Arkansas town, but to another bank, which we will call C Bank. The C Bank presented the check in question to the B Bank and it was paid. After C Bank received payment and before they had paid the St. Louis Bank, C Bank failed and is now in the hands of a receiver. Our Philadelphia correspondent has charged our account with the check, claiming that under the laws of Pennsylvania they only act as agent for their correspondents and that we have the same redress as against our depositor, with the right to file claim with the receiver in their behalf. Our depositor insists that we must return the unpaid check to him if we charge his account with the amount. Will you be good enough to let me have your opinion as to where

the final responsibility should lie? Do the laws of New Jersey create the condition of principal and agent or creditor and debtor between the bank and its depositors?

It has been held in New Jersey that a bank receiving paper for collection is responsible for the default of its correspondent or any other agent to whom it may transmit it for collection. Titus v. Mechanics Nat. Bank, 35 N. J. Law, 388. This is the same as the rule in New York and a number of other States, and differs from the rule in Pennsylvania, Missouri, and some other of the States, which is to the effect that a depository bank merely undertakes to use due care in selecting a subagent and in transmitting the paper, and if it exercises such care it is not responsible for the acts and defaults of subagents. Daly v. Butchers & Drovers Bank, 56 Mo. 94; Mechanics Nat. Bank v. Goodman, 109 Pa. 422.

Under this rule, which makes the bank in which paper is deposited for collection virtually an insurer of the responsibility of correspondents, it would seem to follow that, unless your bank has protected itself by some agreement with its depositor disclaiming such responsibility, it cannot charge the amount to his account, nor would it have recourse upon the Philadelphia or St. Louis banks, which are protected by the aforesaid contrary rule, and that your bank will be the loser of the difference between the face of the check and the amount which it can recover from the receiver of the failed bank upon filing proof of claim.

Concerning forms of protective agreements, a clause on the credit card of a bank that "items outside of Wilmington are remitted at owner's risk until we receive full actual payment," was construed as follows in Bank of Rocky Mount v. Murchison National Bank, 142 N. C. 187: "the extent to which it will be permitted to exonerate defendant bank is that it shall not be responsible for the negligence or misconduct of its subagents properly selected. . . . We cannot suppose that it was intended to be understood as releasing the defendant from the consequences of its own negligence." Also in Minneapolis Sash & Door Co. v. Metropolitan Bank, 76 Minn. 136, it was held that a notice in a passbook that the bank in forwarding items on other points would select responsible agents, but would assume no risk or responsibility on account of their omissions, negligence or failure, had the effect of limiting the liability of the bank as thus provided, but did not protect the bank where it mailed an item direct to the drawee for collection. Unless your bank received the check on deposit under some such agreement, the conclusion above reached that it cannot charge the amount to its customer's account would seem to follow; and it would be wise to adopt some such form of agreement, preferably, I think, printed upon the deposit slip, to guard against future loss from this cause.

You ask whether the laws of New Jersey create the condition of principal and agent or debtor and creditor between the bank and its depositor. The question whether your bank took title and became owner at the time of deposit or received the check as agent or bailee for collection would seem to be immaterial in the present case, for if the bank became owner, in other words, if the transaction of deposit amounted to a sale of the check to the bank, which thereupon became debtor to its depositor for the amount, the only liability of the depositor would be as indorser of the check, and the check having been paid, the indorser would be discharged, and the amount could not be charged to his account. Concerning this question, however, it has been held in New Jersey that where one deposits in a bank a check or draft on a third party, it is a bailment for collection and not a sale, unless the understanding be that he may at once draw against the deposit or, being indebted to the bank, that the deposit may be applied on such indebtedness. Perth Amboy Gas Light Co. v. Middlesex County Bank, 60 N. J. Eq. 84. Hence, if there is no such undertaking that the customer can draw against the credit of the particular check prior to its collection, the bank would be agent; or the bank may define its position as agent by some passbook rule, notice on deposit slip or other understanding or agreement to the effect that the credit is subject to final payment.

It would seem better, from the standpoint of the bank, in cases of deposit of checks payable at a distance, that the bank should hold the relation of agent rather than that of purchaser, for where the bank is purchaser in case the paper is collected by a correspondent who afterwards defaults, the depositor is relieved and the loss is that of the owner bank, except for such recourse as it may have in particular cases upon correspondents; while if the check is received by the bank as bailee for collection, the law of many States relieves the bank from liability for correspondents' defaults if duly selected, and in those States where such liability exists, as in New Jersey, the bank may protect itself by special agreement. In view of the fact that there is much confusion and conflict in the authorities over the question whether a deposit of paper credited in the usual way is a sale or a bailment for collection, it would seem advisable for your bank to establish by special agreement on deposit slip or otherwise both its relation as agent or bailee for collection of deposited checks payable at a distance and its non-responsibility for correspondents' defaults.

RECOVERY OF MONEY PAID ON FORGED ENDORSEMENT.

Effect on drawee's right of recovery of (1) delay in discovering forgery, (2) delay in giving notice of forgery after discovery.

From Mississippi.—M draws a draft upon the Bank of H payable to B. The drawer, the drawee and the payee are all domiciled in the State of Mississippi. The draft is presented to the Bank of C with the endorsement of B written on the back thereof. The Bank of C does not cash the draft but tells the holder, who purports to be B, that it will take the draft for collection. The Bank of C forwards the draft to the Bank of M, their correspondent, with this endorsement, to wit: "Prior endorsements guaranteed." The Bank of M sends the draft to the Bank of H, the drawee, and the same is promptly paid by the Bank of H, the drawee. After notice that the Bank of H had honored the draft, the Bank of C gives the presentor credit for the amount of the draft, believing the presentor to be B, the payee. All this occurred in January, 1913. About September 1, 1913, eight months after the draft has been paid by the Bank of H, M, the drawer, discovers that the endorsement of B, the payee, is a forgery, and proceeds to prosecute the person guilty of the forgery. It was judicially determined, by a plea of guilty by the defendant charged with the forgery, on November 12, 1913, that the said endorsement was forged. On December 15, 1913, the Bank of C was notified for the first time that it would be held liable upon its endorsement, said notice coming from its correspondent, the Bank of M. At that date the original presentor had been tried and convicted and sentenced to the State penitentiary. Had notice reached the Bank of C that it would be held liable as an endorser before November 12th, the date of the said conviction, it would have had a reasonably apparent opportunity of collecting the amount of the draft back from said presentor, but at the date of his conviction he became insolvent. Is the Bank of C liable for the amount of the draft upon its endorsement? Can the laches of the drawer and the drawee be asserted by the Bank of C to defeat its liability? Said laches consisting of their failure to notify the Bank of C that the endorsement of the payee was a forgery, they having knowledge that the same was a forgery on and after September 1, 1913?

From South Dakota.—On September 20th we took over our counter in the regular course of

> business a check from a customer which was drawn on a bank in a neighboring town. Our customer took the check from X, who took it from Y, Y being the payee. The same date we forwarded the check to our correspondent, which is in same town as drawee bank. Our correspondent presented the check to drawee bank on September 22d, it being paid and cancelled by drawee bank on that date. In yesterday's mail, December 18th, this check is returned to us in a regular cash remittance from our correspondent with the notation "not Y's signature" (Y being payee). We wish to ask if a paid check can be returned to us in this manner at this late date. What does custom or the statutes provide in a matter of this kind?

These two inquiries will be considered together.

The bank upon which a check is drawn and which has paid the same upon a forgery of the payee's endorsement is, as a general rule, entitled to recover the money paid, not being estopped because of mistaking the genuineness of the signature of the payee, which it is not bound to know. Wellington Nat. Bank v. Robbins, 71 Kan. 748; Corn Exchange Bank v. Nassau Bank, 91 N. Y. 74; Muller v. Nat. Bank of Cortland, 96 N. Y. App. Div. 71; Second Nat. Bank v. Guarantee Tr. & S. D. Co., 206 Pa. 616.

The above being the general rule, two questions arise as to the effect upon the right of recovery of (1) delay in discovering the forgery and (2) unreasonable delay after discovery in giving notice thereof.

A thorough consideration of these questions has recently been given by the Court of Appeals of Georgia in Yatesville Banking Co. v. Fourth Nat. Bank, 72 S. E. 528. The following is the official syllabus of the court:

1. Where the drawee of a negotiable instrument pays it to a person holding it through and under a forged endorsement of the payee's name, he may (subject to certain limitations) recover back from the person receiving the money on the paper the sum so paid, either in an action in the nature of an action of money had and received, or in an action upon the warranty implied from the presentation of the instrument that the endorsements thereon are genuine, or in an action upon an express warranty that the endorsements are genuine, if such an express warranty has been made.

2. If the person presenting and receiving payment on a negotiable instrument bearing the forged endorsement of the payee is himself innocent of the forgery, it is incumbent on the person who has so paid to give to the person to whom the payment has been made notice of the forgery within a reasonable time after discovering it. If he fails in this duty, the person so paid may, when sued for reimbursement by the person who has done the paying, set up, as a defense to the action, any loss that has been occasioned to him by reason of the failure to give timely and reasonable notice. However, as lack of notice, followed by loss, is an affirmative defense, it is not necessary for the plaintiff to negative it in his petition.

The court, in the course of its opinion, says: "The law is that, where a person has paid a negotiable paper to another on a forged endorsement, and the latter is innocent of the forgery, it is incumbent upon the person so paying to give notice of the forgery to the other person within a reasonable time after discovery of the fact; and he may lose his right of action for failure to give the notice, provided that his laches in this respect has subjected the other to loss. What is reasonable notice in such a case is generally a question for the jury. . . . The defendant in such a case, having received from the plaintiff to his use and benefit money to which he is not entitled, would primarily be subject to an action at law (generally to an action in the nature of an action for money had and received), to be brought at any time within the statute of limitations, but commercial usage, as well as a principle of natural justice, would require the person who had thus paid out the money not to remain quiescent when by so doing he would deprive the other person who, too, had been an innocent victim of the forgery of any reasonable means by which he might recoup his loss; and a failure to exercise reasonable diligence in giving this notice ought to and will deprive him of the right to maintain his action, if because of his failure in this respect the loss does ensue. But two things (both failure to give the notice and loss on the part of the other person occasioned thereby) should concur before this right of action, arising as it does ex aequo et bono, should be lost to the person who has been caused to pay the money improperly. The duty to give the notice does not arise until the forgery has been discovered, and may be exercised then, or within a reasonable time thereafter. . . . Further, we are of the opinion that it is not necessary for the plaintiff in such a case to make it appear that his notice of the forgery and demand for repayment were given at such a time as that no loss to the defendant occurred from the failure, and that the petition would not be subject to general demurrer raising this question, unless the petition on its face affirmatively disclosed that loss had ensued."

The authorities quite generally support the proposition recognized in this case that mere delay in discovering the forgery does not affect the drawee's right of recovery. For example, in Canal Bank v. Bank of Albany, 1 Hill (N. Y.) 291, where more than two months elapsed before the holder receiving payment was notified of the forgery, the notification being given promptly upon discovery, the court held the drawee entitled to recover, and said: "I am not willing to concede that delay in the abstract, as seems to be supposed, can deprive the party of his remedy to recover back money paid under the circumstances before us. . . . If there had been any unreasonable delay after such discovery, another question would be presented." Again, in Corn Exchange Bank v. Nassau Bank, 91 N. Y. 74, a check was paid on a forged endorsement and sixteen months elapsed before discovery of the forgery. In an action to recover the money paid it was shown that if the defendant had had earlier notice it could have protected itself, but the court held the drawee was entitled to recover, that it was under no duty to ascertain and determine the genuineness of the endorsement before paying, and that it was not estopped by the delay.

But concerning the second proposition, as to the effect of delay after discovery in giving notice of the forgery, the authorities are not all in accord. In the Georgia case set out above it is held the delay would only be material if the holder from whom recovery is sought would be in a worse position because of such delay, and this he must affirmatively prove. In this connection, the court, speaking of delay in giving notice after discovery, says: "It would be an affirmative defense, which the defendant might set up by way of avoidance of liability, to say that this notice came at such a time and with such lateness that he was subjected to a loss which would not have ensued if it had been given timely. Such a defense is in the nature of a plea of recoupment, in which the defendant sets off damages ensuing from the plaintiff's neglect against the damages which he caused to the plaintiff by reason of his false presenting of the paper." See, also, Continental Nat. Bank v. Metropolitan Nat. Bank, 107 Ill. App. 455, which recognizes the principle that there must be reasonable diligence in giving notice of the forgery of a check after its discovery.

But to the contrary of all this the Supreme Court of the United States has recently held, in United States v. National Exchange Bank, 214 U. S. 319 (reversing U. S. Circuit Court of Appeals, 151 Fed. 402, which court had reversed the decision of the U. S. Circuit Court in the same case, 141 Fed. 208), that where a check is presented for payment bearing a forged endorsement, there is a warranty of genuineness implied by the presentation and collection of the check which is broken at the time the check is paid by the drawee and that an action for this breach of implied warranty can be maintained until barred by the statute of limitations without being conditioned upon giving notice of the forgery. The original decision of the United States Circuit Court in this case was to the effect that the cause of action was for money paid by mistake, and that although there was negligence in giving notice of discovery of the forgery, such negligence would not bar the right of

recovery unless resulting damage was proved. The United States Circuit Court of Appeals reversed this decision, upon an exhaustive review of the authorities, and reached the conclusion that unreasonable delay in giving notice after discovery of the forgery would discharge the person receiving payment without regard, ordinarily, to any question whether he suffered damage thereby. The Supreme Court, as above stated, reversed the decision of the United States Circuit Court of Appeals and adjudged a right of recovery upon the ground of an implied warranty of genuineness, the right of recovery not being conditioned upon giving notice of discovery of the forgery. The Supreme Court further said: "The conclusion to which we have thus come renders it unnecessary to consider whether, if the facts presented merely a case of mutual mistake, where neither party was in fault and reasonable diligence was required to give notice of discovery of the forgery, if there was lack of such diligence, it would operate to bar recovery by the United States (drawee) although the Exchange Bank (which received payment) was not prejudiced by the delay."

In the light of these conflicting authorities, therefore, the law upon the question of the effect of delay by a drawee in giving notice of discovery of the forgery of the payee's endorsement upon its right of recovery of money paid upon such forgery, is left in rather an uncertain state. On the one hand is the view adopted by the Georgia court, and this accords with opinions of text writers and courts in some of the other States, that if the unreasonable delay works damage to the holder receiving payment and this is affirmatively shown, it would bar recovery; otherwise not. On the other hand is the decision of the highest court in the land which is binding as law on all the Federal courts—and it might be followed hereafter by some of the State courts—that, irrespective of any question of the right of recovery of money paid under a mutual mistake of fact and of the effect of delay in giving notice of discovery, there is in every case of money paid upon a forged endorsement, whether or not there is an express warranty of genuineness, an implied warranty that the endorsement is genuine which arises out of the act of presenting and collecting the check, and that an action for breach of this implied warranty may be maintained and the money recovered without any obligation on the part of the drawee to give notice of the discovery of the forgery.

Having thus endeavored to show the condition of law on this subject, the reply to the inquiry from Mississippi would be that the delay of eight months before discovery of the forgery would not affect the drawee's right of recovery of the money paid, but the delay of three and one-half months after discovery in giving notice thereof, assuming the bank receiving payment was damaged thereby, would be a good ground of defense if such damage was alleged and proven, provided the Supreme Court of Mississippi took the same view of the law as the Court of Appeals of Georgia; but if the Mississippi court followed the theory of the Supreme Court of the United States that there was a breach of implied warranty—and in this case there was also an express guaranty of prior endorsements—then the money would be recoverable upon breach of warranty and unreasonable delay and damage resulting therefrom would not be a defense.

In the case from South Dakota, the facts stated do not show whether the forgery was discovered immediately after payment and there was an unreasonable delay in notification for over two months or whether the forgery was not discovered until more than two months after payment and prompt notification given. If there was prompt notice after discovery, the bank would be liable to refund the money received upon a forgery of the endorsement. If there was an unreasonable delay of over two months in giving notice after discovery and the bank can affirmatively prove the delay has caused it damage, there might be ground of defense under the rule of the Georgia case, but if the theory of the law as declared by the Supreme Court of the United States should be adopted by the State court, the bank would be liable to refund in any event.

PAYMENT OF STOPPED CHECK ON FORGED ENDORSEMENT.

Question considered whether drawee's ordinary right of recovery of money paid on forged endorsement affected by fact that payment was made after drawer had stopped payment—Effect of special fact that endorsement expressly guaranteed.

From Pennsylvania.—Will you please give us your opinion in the following case: A customer of bank "A" deposited a check on a bank in another city which was sent by bank "A" to its correspondent, bank "B," who collected it through the Clearing House. About six weeks afterwards the drawee bank notified bank "B" that the endorsement of payee on the check in question was a forgery and returned the check with an affidavit to that effect and demanded reimbursement as under the Clearing House rules bank "B's" Clearing House stamp was a guarantee of all previous endorsements. The bank which forwarded the check was at once notified and replied that they had taken the matter up with their customer, who stated that the check was presented to him in payment for goods purchased, and he, not being acquainted with the holder, refused to deliver the goods until he had waited sufficient time to presume the check had been paid. He therefore waited about eighteen days, when, having received no advice of the dishonor of the check, he delivered the goods. The purchaser of the goods claimed that he formerly lived in the city where the check was drawn, and the check was given to him on account of wages. In addition, it was claimed that the maker of the check, at the request of the payee who had lost the same, issued a duplicate and stopped payment on the original, and that the drawee bank was at fault in not carrying out its customer's directions. The drawee bank took the position that it was immaterial whether payment had been stopped on the check or not, that being a matter between the bank and its customer, and that the bank which received payment of the item was obliged to refund the amount thereof. Under the above statement of facts, is the drawee bank entitled to recover?

Ordinarily the drawee which pays a check upon a forged endorsement is entitled to recover the amount, and the fact that the forgery is not discovered for six weeks will not affect that right.

But this case raises the special question whether the drawee bank which receives a stop payment order from the drawer and afterwards pays a stopped check upon a forgery of the payee's endorsement is put on such notice as would make its payment a negligent act so as to estop it from recovering the money paid.

So far as I know, this specific question has never come before a court for decision, and it must be reasoned out on principle without any direct precedent for guidance.

It is familiar law that a drawee which pays a check on a forgery of the drawer's signature cannot, generally speaking, recover the money paid from an innocent holder. I am, of course, referring to this rule as administered by the courts generally, without reference to any statutory modification such as exists in Pennsylvania. Non-recovery in this case is based largely on the reason that the drawee has information in its possession which enables it to verify the signature, which information the holder does not possess. There is a duty, therefore, running to the holder to know the signature, and if this duty is violated, the bank is without redress against a holder who is entitled to have the bank perform such duty.

Some courts also hold that where the drawee pays a check on a forged endorsement and after discovery of the forgery unreasonably delays to notify the holder who has received payment thereof, the drawee cannot recover the money paid if such inno-

cent holder can show he has been damaged by the delay; although the United States Supreme Court has recently held the drawee entitled to recover upon breach of implied warranty of genuineness, without any necessity of giving notice of forgery after discovery. This rule of non-recovery wherever it exists is likewise based on the non-performance of a duty which the drawee owes to an innocent holder, namely, the duty to give him reasonable notice of the forgery.

In the case of the forged signature, the information is in the drawee's possession at the time the check is presented, and the duty is not to pay; in the case of the forged endorsement, the information is not in the drawee's possession at the time of payment, but comes to it later, and in this case the duty which some courts recognize is to give the holder who is liable to refund prompt notice of the information received that he may lose no opportunity for recouping himself from those who have placed the loss upon him. Non-performance of this duty by the drawee in both cases may affect or prevent the right of recovery of the money paid. The principle underlying both lines of cases would seem to be that where forged paper purporting to be payable by a bank has come into the possession of an innocent holder and the bank has information in its possession by which it knows or should know of the forgery, not available to such holder, and does not give the holder the benefit of such information by refusing to pay the check, in the one case, or giving him prompt notice of discovery, in the other, as between holder and bank, the loss will be placed on the latter if the holder has been damaged, and in some cases irrespective of damage.

How would this principle apply to a case where money is paid to an innocent holder on a forged endorsement, and the dereliction of duty, if any, is not because of payment on a forgery of the drawer's signature, or of failure to give prompt notice of discovery of a forged endorsement, but because the bank has paid in the face of a stop payment order given by the drawer. Will this stop payment order be construed as putting the bank in possession of information that the payee's endorsement has been forged or as raising a duty of inquiry which would lead to the possession of such information? For if the bank pays, having in its possession information or the means of information that the endorsement is forged, it would probably be estopped from recovering for the same reasons that lead the courts to hold that payment upon forgery of the drawer's signature, which it is presumed to know, is non-recoverable. True, this rule has been changed by statute in Pennsylvania, but the reason which led the Pennsylvania courts to declare the rule still exists and might be applied by the courts to analogous cases not covered by the statute.

The specific question, therefore, is whether a stop payment order puts a bank upon inquiry and charges it with such knowledge as the inquiry, if made, would disclose.

It has been held in Illinois, under the formerly existing rule (since changed by the Negotiable Instruments Act) which made a check an assignment and under which the bank was obliged to pay to a bona fide holder notwithstanding countermand of the drawer, that the receipt of a stop payment order would have the effect of putting the drawee bank on inquiry as to equities against the check in the hands of the holder. Public Grain & Stock Exchange v. Kune, 20 Ill. App. 137. But this was a case between bank and drawer and where the check is not an assignment (and except in one or two States this is now the universal rule) and where the only obligation of the bank runs to the drawer to pay his checks and protect his credit or not to pay if it receives a stop payment order, the question would be whether the stop payment notice would raise any duty in the bank extending to an innocent holder under forged endorsement, not to pay without making inquiry, the non-performance of which would bar it from recovering?

A stop payment order certainly gives the bank information that the drawer cancels the authority to pay his check and the reasons for giving such order may be various. The check may have been lost with or without endorsement of the payee, and the payee may have requested the drawer to stop payment in his interest; or the drawer may have been defrauded and the stop payment given in his own interest; again the drawer may have settled with the payee without taking up the check; and still again the drawer may have stopped payment without just cause. Aside from cases of forgery and taking those cases where a check after endorsement has been lost and subsequently negotiated to a bona fide holder or where, although received by the payee in fraud, he has negotiated it, the holder in due course of such a check has a right to payment, and although it has been stopped by the drawer he can enforce payment from him. This being the situation—stop payment orders being given for a variety of causes, some justifiable and others not—it might be contended that the countermand of payment is strictly a matter between drawer and drawee; that if the drawee pays a stopped check it does so at its peril as to the drawer, but that no duty not to pay arises so far as the holder is concerned, and the stop payment is not necessarily a warning of anything wrong. On the other hand, there is ground for the contention that a notice not to pay puts the drawee on inquiry as to equities against the check in the hands of the holder, as was held in the Illinois case, and that this duty extends not alone to the drawer, but also to any innocent holder of the check, who is likewise entitled to be protected by any information exclusively within the drawee's possession.

Until the courts pass upon a case of this kind, the answer to the question whether the drawee is entitled to recover under the facts stated is somewhat problematical; at the same time whether or not there is a duty of inquiry generally, it would seem that in view of the special fact in this particular case that the payee's endorsement was expressly guaranteed, the more likely result would be that the drawee would not be held estopped from recovering money paid on a forgery thereof, because of a stop payment order received from the drawer, for the special guaranty that the endorsement is genuine might, with good reason, be held to relieve the drawee bank of any duty of inquiry as to that particular fact.

PROTECTIVE DEPARTMENT

L. W. GAMMON — MANAGER

OFFICES OF THE WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, INC.

CALIFORNIA, LOS ANGELES.—Walter P. Story Building.
CALIFORNIA, SAN FRANCISCO.—First National Bank Building.
COLORADO, DENVER.—First National Bank Building.
GEORGIA, ATLANTA.—Empire Life Building.
ILLINOIS, CHICAGO.—Transportation Building.
LOUISIANA, NEW ORLEANS.—Whitney Central Building.
MARYLAND, BALTIMORE.—Munsey Building.
MASSACHUSETTS, BOSTON.—201 Devonshire Street.
MICHIGAN, DETROIT.—Dime Savings Bank Building.
MINNESOTA, MINNEAPOLIS.—McKnight Building.
MINNESOTA, ST. PAUL.—New York Life Building.
MISSOURI, KANSAS CITY.—Midland Building.
MISSOURI, ST. LOUIS.—Frisco Building.
NEW YORK, BUFFALO.—White Building.
NEW YORK, NEW YORK CITY.—Woolworth Building.
OHIO, CLEVELAND.—Rockefeller Building.
OREGON, PORTLAND.—Yeon Building.
PENNSYLVANIA, PHILADELPHIA.—New Stock Exchange Building.
PENNSYLVANIA, PITTSBURGH.—Commonwealth Building.
TEXAS, HOUSTON.—Union National Bank Building.
WASHINGTON, SEATTLE.—Hinckley Block.

FOREIGN OFFICES OF THE WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, INC.

ENGLAND, LONDON, W.—Crown Chambers, 5 Regent St.
FRANCE, PARIS.—16-17 Rue Auber.
BELGIUM, BRUSSELS.—4 Passage des Postes, No. 6 Boulevard Anspach.

CORRESPONDENT OF THE WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, INC.

IOWA, DES MOINES.—The Gus. J. Patek Detective Agency, 515 Mulberry Street.

RULES OF THE STANDING PROTECTIVE COMMITTEE.

1. Upon receipt of notification by the General Secretary, Five Nassau Street, New York City, or the nearest office or correspondent of the William J. Burns International Detective Agency, Inc., of an attempted or successful perpetration of fraud or crime upon a member of this Association in its banking rooms, or in the rooms of such branches as are members, either by forgery, check-raising, worthless or bogus checks, swindle, sneak theft, robbery, hold-up, or burglary therein, the Committee will at once use its best efforts to apprehend the criminal. No action, however, will be taken unless immediate notice is given and a case once committed to the Association cannot be taken out of its hands nor the offense condoned or compromised. If for any reason whatsoever no prosecution takes place when the member is in a legal position to aid in the prosecution, and fails to do so, such member shall reimburse the Association for all expenses incurred in connection with the case reported.

2. In reporting cases the member agrees to swear out a warrant for the criminal concerned when his identity has been determined; or a John Doe warrant at once in States where permitted.

The Committee relentlessly pursues both amateur and professional criminals in cases of attempted or successful fraud or crime upon members of the Association, but cannot take cognizance of such offenses where perpetrated upon other than members, or of so-called "inside jobs" where the offender is an officer or employee of a member.

The Committee relies upon the State, county, or local authorities to arrange for the extradition and the payment of expense incident to the return of a prisoner. The Committee will not pay witness fees, and will not be responsible for any expense incurred for protective work, which has not been previously authorized.

It is expected that every member will co-operate with the Committee by promptly reporting every offense coming under its notice, regardless of whether the operation is against the bank or one of its customers, as well as by using all reasonable efforts in assisting in the arrest and conviction of the offender. The information concerning any operation against a member's customers will be of value to us as a matter of record, for possible future guidance in our work.

FRED. E. FARNSWORTH,
General Secretary.

We respectfully call the attention of our members to the rules of the Standing Protective Committee of this Association, which are reproduced above, and request that members thoroughly familiarize themselves with them.

It will be noted that members are complying with the rules if they notify the nearest office or correspondent of our detective agents of an attempted or successful perpetration of fraud against them. The addresses of the various offices of our detective agents appear at the head of this page. By notifying the nearest office of our detective agents considerable time may be saved in bringing about a successful solution of any matter.

CHANGE OF ADDRESS.

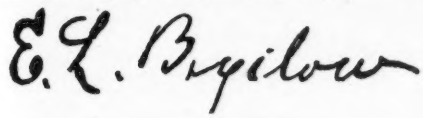
ON account of the increase of business, requiring the securing of larger and more commodious quarters, our detective agents, THE WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, have moved their Chicago office to the sixth floor of the new TRANSPORTATION BUILDING, located at DEARBORN AND HARRISON STREETS.

THE following is a report for the month of December, 1913, pertaining to the work of the Protective Department:

Bankers are warned against cashing any checks made payable to "Farm Loans and City Bonds," a financial journal of Chicago, endorsed or presented by F. G. Fuller, a discharged employee of that journal. He is wanted for embezzlement and forgery. Reference to this party was made in the December, 1911, JOURNAL-BULLETIN, page 379.

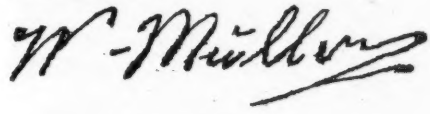
It has been reported to us that E. L. BIGELOW, representing himself as purchasing agent of the J. H. Winters Lumber Company, Memphis, Tenn., recently passed checks in Decatur, Ala., purporting to have been made payable to him by the company he represented. These checks were drawn on a bank in Memphis, Tenn., and were returned for the reason that no such account existed. One of them had been cashed at a hotel in Decatur and deposited with a bank member there.

Bigelow is still at large and is described as follows: Age, 55 years; height, 5 feet 8 inches; weight, about 185 pounds; complexion, ruddy; walks as though one leg is shorter than the other. Wore a dark blue suit. He carries a letter of introduction from J. H. Winters Lumber Company. A specimen of his handwriting is reproduced below.



R. B. KING is wanted in connection with a forgery perpetrated against a bank member at Mesa, Ariz. He is described as follows: Age, 37 years; height, 5 feet 11 inches; complexion, dark; hair, black; build, slender, hump-shouldered.

E. KING, a cement worker, is suspected of having forged three checks by which a bank member at Los Angeles, Cal., was defrauded. King is described as follows: Age, 35 years; height, 5 feet 6 or 7 inches; weight, 105 pounds; hair, dark; appears to be of German descent. The California Bankers' Association is co-operating with this Association in this matter. A specimen of this operator's handwriting is reproduced below.



L. RUCKER, who had an account with a member bank in Los Angeles, Cal., succeeded in defrauding them by means of a worthless check. Rucker is being sought by our detective agents.

He is described as follows: Age, 35 years; height, 6 feet; build, slender, very round-shouldered; complexion, light; German descent and speaks with a strong German accent.

The California Bankers' Association is co-operating with this Association in this matter. Specimen of Rucker's handwriting appears below.

GEORGE A. CLARK, by representing himself as a wealthy man and purchasing a ranch near Reedley, Cal., with worthless paper, won the confidence of the owner, who is the mayor of another city in California. The mayor introduced Clark to a bank member in Reedley, Cal., and they cashed some of his bogus paper, which was in the form of a certified check. Later, the bank secretary, suspecting something irregular, consulted the bank directory and found that there was no record of the bank cashier's name as signed to the check. The police were notified and kept Clark under surveillance, awaiting the verification of the fact that the check was forged, but Clark eluded them. The matter was reported to our detective agents and they are now trying to locate him.

A reward of $50 has been offered for his arrest. The California Bankers' Association is co-operating with this Association in this case.

What appears to be an entirely new game was attempted recently on a member bank of Chicago, Ill. Shortly before the Saturday closing hour, a young man rushed into the bank, apparently quite excited. He told the paying teller in the Woman's Department that a certain young lady, who is a customer of the bank, had hit a young boy with her automobile, was arrested and was being held at the police headquarters. He presented a check, purporting to be signed by the customer, for $300, explaining that that amount was required for her bond. The paying teller refused to pay the check and told the messenger to have the young lady communicate with the bank.

A few minutes after he left, the bank was called on the 'phone and an excited female voice asked why her check had not been cashed, further stating that she was in a terrible predicament and that unless she could furnish a $300 cash bond before the judge left at 12 o'clock noon, she might be held in the police station over Sunday. The bank assured her that the matter would be attended to at once, and immediately dispatched two bank detectives and a messenger with the money to the room in the court house where the young lady was supposed to be held, but upon their arrival no such room was found in the court house. The young man who had presented the check failed to reappear.

Members should be on their guard for any future attempts as described above, as the ingeniousness of this scheme would stamp these criminals as very clever artists.

H. A. COOPER, alias L. W. Ward, alias H. A. Conrad, who was mentioned in the JOURNAL-BULLETIN for May, 1913, page 765, as having been circulating forged pay checks on the Thomas B. Jeffrey Automobile Co., of Kenosha, Wis., drawn on a bank member of Chicago, Ill., is again operating in Missouri and Iowa.

He is described as follows: Age, 40 years; height, 6 feet 2 inches; weight, 190 pounds; build, stout; complexion, florid; hair, dark chestnut, thin and partly bald; eyes, blue; style of beard, smooth shaven.

Under the name of H. A. Conrad, he defrauded a number of hotels at Ottumwa and Burlington, Iowa, Quincy, Ill., and Louisiana, Mo. He is a dangerous operator, and if any of his checks come to the notice of any member they should at once notify the nearest office of our detective agents. The Thomas B. Jeffrey Automobile Co. offer a reward of $200 for the arrest of this person, who is using their checks in a fraudulent manner and which have been stolen from their company office in Kenosha, Wis.

Recently a member bank of Chicago, Ill., advised our detective agents of the receipt of a forged Montreal, Canada, bank draft, drawn on the First National Bank of Chicago, and cashed in Scranton, Pa., by a party using the name of E. H. HOWARD, also a second draft for $1,000, cashed by a leading jewelry firm of Boston, Mass., under the name of G. Dundas.

This party is described as follows: Age, 40 years; height, 5 feet 11 inches; weight, 180 pounds; build, stout; complexion, florid; hair, dark brown; face, smooth, round; has the appearance of a business man.

His plan of operation at Scranton was to represent himself as a prospective purchaser of a hotel; after making the purchase he ordered some improvements and changes in the property, and then deposited a draft and asked the person from whom he purchased the property to introduce him at the bank and to take out a liberal retainer on the purchase price of the property; in this instance he paid $500 on the purchase price and escaped with the balance.

It has since developed that this same operator is using forged and counterfeit travelers' checks on the Canadian Bank of Commerce, Montreal. He carries a letter of identification from the Bank of Commerce, Montreal, showing that he has purchased three of

their travelers' checks. It is evident that he is also using this letter to identify himself in connection with the forged Canadian Bank drafts, which, it also develops, are forged and counterfeit throughout.

A man posing as "JOSEPH GILDERSLEEVE," a traveling salesman for a manufacturing company of Shelburne Falls, Mass., recently endeavored to defraud a bank member in Huntley, Ill., by means of a draft on a bank in New York.

He claimed that his automobile had broken down between Union and Huntley, and that, being without any money, he would appreciate it as a favor if the Huntley bank would wire a request to the New York bank to authorize cashing of a draft without indentification. The New York bank replied that the draft could be cashed for Gildersleeve, but at the same time they included in their telegram a description of Mr. Gildersleeve, who is about seventy-five years old, while the man requesting that the draft be cashed was only about thirty years old.

A description of the operator is as follows, and members are warned against him: Age, about 25 to 30 years; height, 5 feet 5 inches; complexion, sandy; smooth shaven; all teeth in upper jaw filled with gold, quite prominent. Wore a dark brown suit and dark gray slip-on coat, and a high, crushed-in fedora dark brown hat.

Upon leaving Huntley he said he was going to Chicago. Mr. Gildersleeve had his bag stolen in Chicago a short time ago and in it were his check book and his signature.

A member bank of Sioux City, Iowa, reports a loss by the operations of one FRITZ VOLKERS, who presented a bogus check. Volkers is described as follows: Age, 68 years; hair, gray; limps slightly; one front tooth out.

Member banks should be on the lookout for this person, and if he puts in an appearance have him placed under arrest, as the sheriff at Sioux City, Iowa, holds a warrant, and notify the nearest office of our detective agents. The Iowa Bankers' Association is co-operating with this Association in this matter.

C. E. McELFRESH recently defrauded a bank member in Atchison, Kans., by means of a check bearing a forged endorsement. This check was drawn on a bank at Rushville, Mo.

McElfresh sold out his restaurant in Atchison and left for parts unknown. Our detective agents are endeavoring to locate him, and his description is as follows: Age, 37 years; height, 5 feet 6 inches; weight, 140 pounds; complexion, red; hair, sandy; smooth shaven; wore a brown shabby suit and tan buttoned shoes.

E. A. McCAULEY, who claims himself to be a representative of Collier's Publishing Company, and whose operations were reported on page 445 of the December, 1913, JOURNAL-BULLETIN, is described as follows: Nativity, Irish; occupation, magazine solicitor; age, 30 to 35 years; height, 5 feet 6 inches; weight, 160 pounds; build, slender; hair, dark; nose, sharp; eyes, dark; dark stubby mustache.

A swindler, using the names SAM HELPORN, Max Rapoport and Sam Rapoport, has been issuing bogus checks in Boston, Mass., Hartford, Conn., and other places, drawn on a bank member in Hartford, Conn.

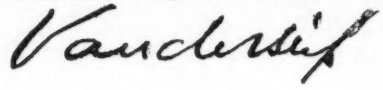
He is described as follows: Jewish; well dressed; interesting talker; speaks English very well; is tall and slim; young appearance; light hair; smooth shaven; has a lot of gold work in his teeth.

JOHN KLUG, alias George Kock, alias George Kochel, opened an account with a bank member in South Haven, Mich., during the past summer, and his object apparently was to obtain a check book, for he closed the account soon afterwards and has since been issuing checks for small amounts, signing them either John Klug, George Kock, or George Kochel, but drawn to John Klug.

He is described as follows: Height, 5 feet 8 inches; heavy set; smooth shaven; coarse, forbidding face and manner.

WILLIAM VANDERLIP, alias Vanderslip, is being sought by our detective agents on a warrant issued for his arrest in Park Rapids, Minn., where he defrauded a bank member by means of forged notes.

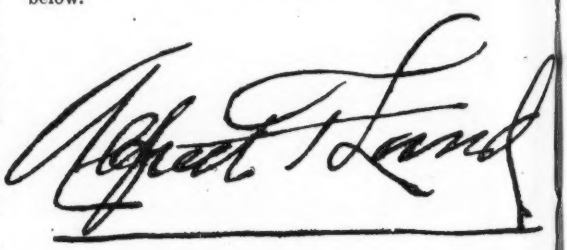
Vanderlip was a dealer in sewing machines and pianos and is described as follows: Age, 55 years; height, 5 feet 10 inches; weight, 165 pounds; complexion, dark; hair, jet black; eyes, very dark; very prominent, protruding ears; a lump on the top of his head, partly to one side, half the size of an egg. He is said to be about one-quarter Indian. Specimen of his handwriting is reproduced below.



ALFRED F. LAND has defrauded a bank member in Hattiesburg, Miss., by means of a forged check. The regular printed form of check in use by the depositor, a lumber company in Talishenk, La., was used.

Land is described as follows: Age, 35 years; height, 6 feet 1 or 2 inches; weight, 190 to 200 pounds; smooth shaven; complexion, florid; occupation, stenographer and bookkeeper.

Our detective agents are trying to locate him, and a specimen of his handwriting is reproduced below.



ALEXANDER SCOTT CAUBLE, alias George Scott, alias J. H. Wilson, alias A. Scott, alias Albert C. Kobel, mentioned on page 740, June, 1911, and on page 226, September, 1913, JOURNAL-BULLETIN, is again operating in southeastern Missouri, southern Illinois, and Arkansas.

Checks payable to Cauble under the above aliases and bearing the forged signatures of "Cohen-Schwartz R. & Steel Co., per Cohen," and "Stern & Goldberg, per Stern," have been cashed by several membership banks throughout the localities named.

Cauble has secured identification through alleged membership in the Independent Order of Odd Fellows; through proposed purchase of real estate; and through personal friends who knew him or his brothers before he took up criminal methods to secure money.

Cauble is described as follows: Age, 55 to 60 years; height, 5 feet 11 inches; weight, 175 pounds; build, medium, muscular; complexion, dark; eyes, brown or dark blue; hair, dark, turning gray, and heavy; nose, regular; beard, dark mustache, mixed with gray; right eyelid droops and right side of mouth drawn down, due to facial paralysis; speaks good English, but with German accent. When last seen, wore black serge suit, gray flannel shirt, soft collar, dark green alpine hat, top not creased. Carried new tan leather suitcase.

JOHN E. FLENTGE is wanted for having defrauded a bank member in Cape Girardeau, Mo., by means of fraudulent checks. Flentge is described as

follows: Age, 22 years; height, 5 feet 10½ inches; weight, about 145 pounds; build, slender; complexion, medium; hair, light brown; full round face; pleasant talker. He is accompanied by a woman whom he represents as his wife. Two attractive little boys, 5 years and 7 years of age, with very black curly hair, are with her, and these are supposed to be her children. She is slender, dark, black-haired, and about 5 feet 7 inches in height. They were in St. Louis, Mo., on November 24, 1913, and went from there to Louisville, Ky.

A negro, representing himself to be JAMES JOHNSON, cashed a check for $8.50, drawn on a De Soto, Mo., bank member, at the store of a De Soto, Mo., merchant, which check was presented in payment for some groceries. The check was supposedly signed by the Donnell Coal Company, by S. C. Donnell, but when it was presented to Mr. Donnell the signature was declared to be a forgery. The bank refused payment on the check on the ground that the payer had no account at that bank.

Johnson is described as being 25 years old; 5 feet 6 inches tall; weighs 170 pounds; build, stout; black curly hair; very black complexion; smooth shaven; wore a long black overcoat, gray cap and gray suit.

A membership bank in Kansas City, Mo., was recently swindled by means of forged checks passed by a man named GUSS HOLMES. Holmes worked a short period for a depositor of the bank, and while in his employ stole three blank checks, to which he forged the name of this depositor, and subsequently passed the checks at different saloons about town. Holmes is described as follows: Age, 40 years; height, 5 feet 1 or 2 inches; weight, 138 pounds; complexion, dark and rough; round face. Has tattoo of dancing lady on left forearm.

A woman using the name MRS. L. R. HOUGH recently swindled two department stores in Kansas City, Mo., by means of forged checks, representing herself to be the wife of Mr. L. R. Hough, a prominent man of Kansas City, Mo.

D. McPHERSON, who until recently worked for a mail order house in Kansas City, Mo., has been passing Post Office money orders and express money orders in and around that city. It is claimed he secured these money orders by opening the mail of the company the morning he left. McPherson forged endorsements on these money orders, and being well acquainted had no trouble in cashing them. The Post Office Inspector of Kansas City is also interested in this man and is trying to locate him for forging Post Office money orders and tampering with mail not belonging to him.

McPherson is described as follows: Age, 40 to 42 years; height, 6 feet; weight, 200 pounds; build, good; eyes, blue; hair, brown, getting very gray; usually wears a very heavy head of hair; occupation, accountant and auditor.

C. WARE, a notorious forger, who has been operating from coast to coast since 1910, recently reappeared in Kansas City, Mo., and endeavored to pass a worthless check at a local department store, then went over into Kansas City, Kans., and passed a worthless check on a membership bank there.

Our detective agents are endeavoring to locate this man, and all banks should be on their guard against his operations, as he invariably enters the bank when they are very busy, and if questioned, states that he is a depositor of the bank and that they should be able to recognize him. The teller, being very busy, usually takes his word for this statement, as he is a prosperous looking man, and gives him the money. This man is mentioned in JOURNAL-BULLETINS as follows: July, 1910, page 116; November, 1910, page 308; February, 1911, page 471; July, 1911, page 38; April, 1913, page 678; May, 1913, page 765; September, 1913, page 222, and uses the following aliases: C. Woods, C. Harris, N. Carsen, C. West, C. Weston and C. Wade.

A membership bank at Marshall, Mo., carried a deposit to the credit of one of their patrons. This depositor recently left for a trip through Kansas, Oklahoma, and Texas, and the bank, while he was gone, received three telegrams from different points on his route, each telegram requesting them to wire him a certain amount. Later they received from this depositor a letter stating that he was drawing on them through a bank in Arizona, and on being questioned said that he had not sent any of the telegrams which the bank had received, purporting to have been sent by him. This matter has been turned over to our detective agents, who are working on the case.

A man, described as follows: Age, 60 years; height, 5 feet 11 inches; weight, 160 pounds; build, medium; eyes, dark brown; hair, dark; mustache, dark, recently purchased a horse in the vicinity of Ozark, Mo., and in payment of same forged the name of a depositor of a membership bank at that place, representing himself to be this depositor. The Missouri Bankers' Association is offering a reward of $75 for this man's arrest.

A bank member in St. Joseph, Mo., recently reported that they had been defrauded by means of two forged checks, one made payable to Andrew Collos, and the other to Andrew Luciannos. The depositor claimed to know no such persons, and our detective agents are endeavoring to locate JOHN PAPPERS, a Greek, who is reported to have been recently released from jail after serving a term for forgery, in the belief that he knows something about the forgery of the two checks.

A St. Louis, Mo., bank member was recently defrauded by means of a forged check payable to A. GOLDBERG, and signed Bernitz & Goldman, by H. Bernitz, which check was one of three that were stolen by Goldberg from this firm while in their employ. He cashed the check on November 12, 1913, at a drug store in St. Louis, paying an account and receiving the balance in cash. Since then another one of the checks has been cashed by a tailor in St. Louis, and it has been learned that Goldberg has defrauded numerous people in that city in different ways.

Goldberg claims that he has worked as advertising solicitor for New York, Chicago, Seattle, and Indianapolis newspapers, that he has been all over the world, and was in the U. S. Army in Cuba. He is described as follows: 44 years old; 5 feet 6 inches tall; weighs 180 pounds; broad shouldered and stout; dark complexion; brown eyes; dark hair, very thin on top; dark mustache; dresses very neatly; somewhat stoop-shouldered; wears spectacles at times; is an inveterate cigarette smoker; has tobacco stains on his fingers; Jewish countenance; speaks German and English fluently. We reproduce below a specimen of this operator's handwriting.

Members are warned against a forger who has been operating in St. Louis, Mo., recently, passing checks drawn on a bank member of that city, signed Cleaner Manufacturing Company, per W. J. Chandler. Checks of this company are signed by H. W. Chandler, but the company has no account at this bank on which the checks are drawn. These checks are made payable to LOUIS SCHINDLER, who was at one time an employee of the Cleaner Manufacturing Company.

Schindler is described as follows: 28 to 30 years old; 5 feet 11 inches tall; weighs 180 pounds; stout build; light complexion; light hair and eyes; smooth shaven; very forward and bold in manner; when last seen wore light suit and light telescoped hat.

H. B. PIPER received in payment for his services a check from his employer. Before cashing the check Piper made three duplicates of same.

He then cashed the original at a bank member at Helmville, Mont., about noon of the same day that he received it. Piper then proceeded to another city and cashed the three forged checks, one at a mercantile store, one at a jewelry store, and the third at a bank. The three counterfeits were received by the bank member at Helmville, Mont., through the remittances of their correspondents.

Piper is described as follows: Age, 30 years; height, 5 feet 9 or 10 inches; weight, 153 pounds; complexion, dark; hair, dark, mingled with gray; smooth shaven; eyes, dark blue, keen and clear; dress, striped gray and brown suits, crushed brown hat.

ERNEST TAILOR, alias Wood, alias Brown, defrauded a membership bank at Dolgeville, N. Y., on November 19, 1913, by presenting and cashing a check which he had raised. He had received the original check in payment for wages upon discontinuing work as a lumber-jack in the north woods, about seven miles from Dolgeville.

A warrant for his arrest was issued in Dolgeville on December 24, 1913, on a charge of forgery, and he is being sought by our detective agents who hold a copy of the warrant.

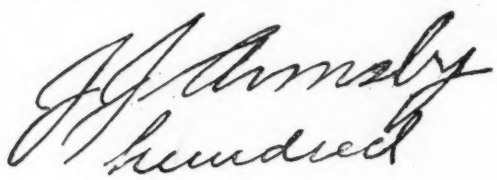
Tailor is described as follows: Age, 30 years; height, about 5 feet 6 inches; weight, 150 pounds; complexion, dark; smooth shaven; wore a brown checked suit and golf cap.

A man using the name of J. J. ARMSBY is being sought by our detective agents for having defrauded a bank member in New York City by means of a bank draft to which he had forged the names of the Vice-President and Assistant Treasurer of a bank member in Perth Amboy, N. J. Armsby had a form of draft printed which was a duplicate of that used by the Perth Amboy bank.

At the office of a tourist agency in New York he gave the draft in payment for travelers' checks and a steamship ticket to Liverpool. Later he returned to the tourist agency and cashed all of his checks. He didn't use the steamship ticket.

On December 5, 1913, he was indicted in New York County.

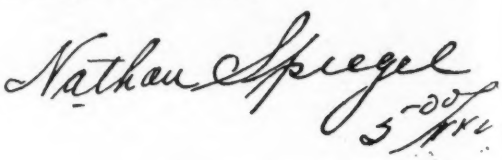
A description of Armsby is as follows: Age, 28 to 30 years; height, 5 feet 6 inches; weight, 145 pounds; medium build; dark complexion; dark, small and deep-set eyes; black hair; smooth shaven; sunken cheeks, not healthy looking; small face; nail off, or mutilated thumb; wore plain dark overcoat, derby hat. A specimen of handwriting is reproduced below.



HARRY KRELEBERG, alias Harry Williams, alias Harry Feinberg, alias Nathan Spiegel, is traveling about the country passing forged checks at hotels, and other places, in cities where he stops. A bank member in New York has been defrauded by his operations, and he is being sought by our detective agents. Some of these checks bear the forged signature of a firm of manufacturers of waists and dresses, New York City.

HARRY KRELEBERG.

Kreleberg was once in the employ of the firm in question, and pretends to be still so engaged. His description is as follows: Age, 27 years; height, 5 feet 7½ inches; weight, 138 to 140 pounds; complexion, dark; well dressed; good talker; claims to be a college graduate and to have been born in this country. His home was in New York City. A specimen of his handwriting appears below.



GEORGE L. ROSENFELD, alias Charles Vogel, alias Charles Meyers, is being sought by our detective agents for having defrauded a bank member in New York City.

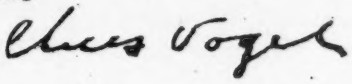
His method of operation in this instance was to represent himself to a tinsmith as the owner of a building on which a new roof was needed. He received a signed contract from the tinsmith and used the signature as a model for his forgery. The blank check was given him as a matter of accommodation by the tinsmith, for Rosenfeld said he had an account in the same bank, forgot to bring his check book with him, and wanted to make out a check payable to a real estate broker in the vicinity.

Later he cashed the check at a tailor's shop, and the forgery was not discovered until the depositor received his canceled vouchers.

Rosenfeld has since succeeded in defrauding small merchants by means of bogus checks drawn on various New York banks. He has been at liberty only since October, this year, at which time he was released from the New York County Penitentiary after having served nine months of an eleven months' sentence for forgery against another bank member in New York City.

His description is as follows: Age, 34 years; height, 5 feet 8½ inches; weight, 140 pounds; complexion, sallow; hair, black; eyes, dark and glassy; appearance of a dope fiend; smooth shaven; thin,

sunken cheeks; untidy appearance; gray suit; dark overcoat; dark brown fedora hat turned down in front; occupation, waiter; claims to be a member of a Masonic order. Below is a reproduction of his handwriting.

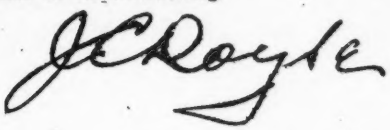


Our detective agents are looking for J. D. VAVER, who is described as follows: Age, 43 years; height, 5 feet 9 or 10 inches; weight, 160 pounds; complexion, dark; hair, black; build, medium; occupation, lumber contractor; one hand missing below elbow.

Vaver recently succeeded in defrauding a bank member in Canton, N. C., and a warrant was issued in that city for his arrest.

Members are warned to watch out for J. C. DOYLE, alias W. A. Boynton, who represents himself as coming from the Protective Ink Company, of New York, N. Y. He succeeded in defrauding several merchants in Wilmington, N. C., by means of bogus checks drawn on a bank in Norfolk, Va., and signed Wm. C. Harkness, Treas.

Doyle is described as follows: Height, 6 feet; dark-brown hair; well dressed. Below is reproduced a specimen of his handwriting.



H. J. HAMILTON, whose operations are reported in the JOURNAL-BULLETIN for October, 1913, page 279, as having operated in Bismarck, N. D., is evidently the same person reported as J. C. Hamilton, under the State Secretaries section of the November JOURNAL-BULLETIN, page 344, as having operated at Seymour and other Indiana points, posing as a representative of an insurance company. This is the ruse that is usually employed by Hamilton, and member banks should be on their guard for his checks. He is described as follows: Age, 30 to 35 years; height, 5 feet 8 or 9 inches; weight, 155 to 160 pounds; hair, brown, thick and wavy; eyes, blue; teeth, noticeably separated; nose, thin and slightly turned up.

LOST OR STOLEN—Certificate of Deposit No. 973 for $1,000, dated December 5, 1913, payable to A. F. Swanson, drawn on the Merchants State Bank, Fingal, N. D., has been lost or stolen. This matter has been referred to our detective agents.

GEORGE THOMPSON, alias Miller, representing himself as a government surveyor, defrauded a non-member branch of a member bank near Norwalk, Ohio, by sending a telegram to the bank in care of himself, signed "United States Treasury," waiving identification, and by presenting the telegram and a United States government pay voucher.

The man is described as about 35 years of age; height, 5 feet 8 inches; weight, 160 pounds; light hair, and light complexion. He will no doubt attempt to pass other such vouchers.

R. C. BROWN, alias Ed. Springes, recently swindled a membership bank by means of a forged check, which he passed at a hotel in Kansas City, Mo. Brown used the name of a depositor of a bank in Calera, Okla. He had the hotel in Kansas City wire the bank asking if this depositor had an account. He then forged the depositor's name to a check which the hotel readily cashed.

Brown is described as follows: Age, 40 years; height, 5 feet 7 inches; weight, 145 to 150 pounds; build, medium; eyes, black; hair, black. Claimed to be an Indian and is lame in one foot. It is also reported that this man's right thumb is missing. A warrant is in the hands of the authorities at Calera for this man's arrest. Brown usually represents himself as being a horse and mule buyer. A specimen of this operator's handwriting is reproduced below.

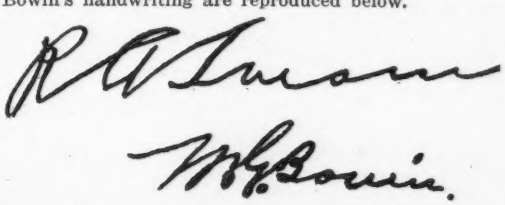
HARRY BEARDS, alias Harry Rockwell, alias Frank Hayes, recently stole some checks from a depositor of a membership bank in Tulsa, Okla., to which he forged the name of the depositor and passed same on different furnishing stores throughout the country. Beards is described as follows: Age, 30 years; height, 5 feet 7½ inches; weight, 145 to 150 pounds; eyes, dark; hair, dark; very neat appearance.

M. G. BOWIN

A member bank of Canby, Ore., reports a loss through forged check on the Llewelyn School Supply Company, of Stockton, Cal. This check bore the signature of the Llewelyn School Supply Company, by "Llewelyn," was made payable to M. G. BOWIN, and endorsed M. G. Bowin. Bowin then left Canby for parts unknown.

He is described as follows: Age, 30 years; height, 5 feet 8 inches; weight, 160 pounds; build, medium; hair, dark; eyes, dark; complexion, red cheeks; smooth shaven, may be growing a mustache; occupation, salesman; home, Victoria, B. C.; dress, blue suit, gray suit, soft colored wool hat; dark heavy ulster overcoat, wears heavy gold nugget chain; peculiarities, pool shark; smokes cigarettes; has habit of tossing hat on back of head when talking with anyone.

The Oregon Bankers' Association is co-operating with this Association in this case. Specimens of Bowin's handwriting are reproduced below.

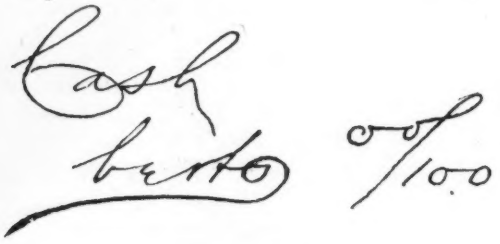


GUS A. WILSON defrauded merchants in McMinnville, Ore., on forged and worthless checks for a small amount. These checks were drawn on a bank member in McMinnville, but the forgeries were discovered and payment was refused. Wilson and his wife lived in McMinnville with Mrs. Wilson's first husband and children, for about six weeks, and it was the first husband's name that was forged to the checks.

A warrant was issued for his arrest and he is described as follows: Height, 5 feet 10 inches; weight, 150 to 160 pounds; hair, slightly gray; eyes, blue; generally wore a white or light vest. His overcoat, which he obtained with a worthless check, is brown with a red and white stripe, belted back, labeled "Hemblin Wheeler," in the inside pocket.

Wanted for having defrauded a bank member in Philadelphia, Pa., by means of a check to which he had forged the name of his employer for whom he had worked eight years, CHARLES J. HOFMANN is being sought by our detective agents.

He is described as follows: Age, 42 years; height, 5 feet 8 or 9 inches; weight, 160 or 165 pounds; dark hair; dark eyes; smooth shaven; prominent nose, Jewish type; shoulders stooped, but broad; broad chested; bow legged; well dressed, and favors checked clothes. Below is reproduced a specimen of Hoffman's handwriting.



A bank member in Columbia, S. C., reported to us on October 31, 1913, that a man using the name J. E. HENDERSON obtained a sum of money from them on a draft which was later returned protested. This draft was on an Equipment Company of Savannah, Ga., and was dated and cashed more than two weeks after Henderson had been discharged from the company's employ. The matter has been referred to our detective agents.

A printer going under the names F. J. UPHAM and Walter L. Upham has been passing bogus checks in Nashville, Tenn., and Cincinnati, Ohio. These checks are drawn on a bank member in Sewanee, Tenn., and the operator is described as follows: Age, 25 years; height, 6 feet; weight, 150 pounds. He has a glass eye, wears a J. P. Stetson black hat, size 7½; wears size 7½ shoes; smokes cigarettes continually, and is a good talker.

A reward of $50 has been offered for the arrest of REESE DAVIS, and two warrants have been sworn out against him in Memphis, Tex., for having defrauded two bank members in that city through a mortgage swindle.

Davis is described as follows: Height, 5 feet 10 inches or taller; weight, about 180 pounds; rather red complexion. Our detective agents are searching for him.

DAVID WARD, of Dayton, Wash., carried a check account with a membership bank at Dayton, Wash., and after he had withdrawn the full amount of his balance, he continued issuing checks on the same bank, and one of them was honored. A warrant was sworn to by the bank officials on a charge of grand larceny. The warrant is now in the hands of the Sheriff of Dayton, Wash.

Ward is described as follows: Age, about 46; height, 5 feet 6 inches; weight, 135 pounds; eyes, blue; hair, dark brown; upper teeth irregular and some of them missing; scar on right side of head, which is noticeable when hat is off, also has a scar on left arm. Ward is a miner by occupation.

ALLEN A. BESOLOFF, during the month of December, 1913, defrauded a membership bank at Montesano, Wash., by means of a forged check. A warrant for the arrest of Besoloff on a charge of forgery is held by the Kings County Sheriff, Seattle, Wash. Besoloff is described as follows: Age, about 25 years; height, 5 feet 9 inches; weight, 170 pounds; build, stout; complexion, dark; hair, dark brown; eyes, dark brown; rather neat and a bright-looking fellow. Is a Russian and speaks broken English.

ED. EVERSON forged a check on a membership bank at Reardan, Wash., signing the name of Josephine Ditmar, one of the bank's depositors. This check was cashed by the Logan Hotel, Spokane, Wash. The check was honored by the bank as genuine, but Josephine Ditmar, whose name was forged, notified the bank that she had never issued a check to Ed. Everson, and that the same was a forgery.

GENERAL.

A. W. BRANNICK is the name used by a man who passed a worthless check November 21, 1913, on a department store in Kansas City, Mo. Brannick was subsequently arrested by the Kansas City Police Department, where he is being held for investigation. This man is described as follows: Age, 35 years; height, 5 feet 10 inches; weight, 175 pounds; build, medium; complexion, dark; eyes, dark; hair, black; smooth shaven.

Recently two yegg burglars, FRED CARSON, alias Frank Kelly, and HARRY BLISS, alias Joe Murphy, alias James Purcell, alias Joe Daniels, alias Joe Webster, were arrested at LeMars, Ia., by the local authorities. Both of these men were identified by our detective agents as old offenders, and both were sentenced to two years each in the Iowa State Penitentiary at Fort Madison, Ia. It is believed that they intended to attack a bank member. The Iowa Bankers' Association co-operated with this Association in making the identification of these two parties.

Worthless checks were recently passed by S. B. COOK, alias Babcock, at saloons in South Omaha and Florence, Neb. He was arrested by City Marshal John McGregor at Florence, Neb. Cook is described as follows: Age, 58 years; height, 5 feet 9 inches; weight, 180 pounds; eyes, blue; build, heavy; complexion, light; hair, brown, mixed with gray; smooth shaven; plumber by trade.

JOHN CRAWFORD is the name of a man, who, it is alleged, on the night of December 2, 1913, at Bristol, Virginia-Tennessee, stole a mail pouch from a truck at the Union Station. This pouch contained considerable mail addressed to Eastern banks.

The following day Crawford was arrested while attempting to pass a draft drawn by a bank member at Gate City, Va., and payable to a Baltimore correspondent. This draft had been enclosed in a letter which was in the stolen mail pouch. He was sentenced to the road gang near Bristol, for six months, but later will be turned over to the Federal authorities and prosecuted on a charge of robbing the United States mails. At the time of his arrest mail stolen from the mail pouch and a quantity of dynamite, caps and fuses were found in his possession.

Through correspondence with the Chief of Police at Lincoln, Ill., our detective agents have suc-

ceeded in identifying a forger who was recently arrested in Springfield, Ill., at the instance of the Lincoln, Ill., authorities, for uttering and passing worthless checks on a hotel keeper in that city, as ROBERT M. DICKERSON, alias R. Davis, alias A. L. Seeley. He is an old offender and has served time for forgery in Kansas and Indiana. After being returned to Lincoln he obtained his release by furnishing bond; however, in case he forfeits this bond he will undoubtedly attempt to pass more forged and fraudulent checks in the future, and members should be on their guard against his operations. He is a very capable insurance man and is well known throughout the country and will not hesitate to make use of his friends to assist him in passing worthless paper. He is described as follows: Age, 45 years; height, 5 feet 6¾ inches; weight, about 150 pounds; hair, light chestnut; eyes, dark slate.

EDMUND ENEQUEST, whose photograph was reproduced on page 377, of the November, 1913, JOURNAL-BULLETIN, was arrested at Richmond, Va., on a warrant charging him with passing bogus checks at Norfolk, Va.

JAMES EDWARD FOYE, who swindled a brokerage firm in Philadelphia, Pa., on December 30, 1913, pleaded guilty to an indictment charging him with forgery and obtaining money under false pretenses, and was sentenced to serve from five to ten years in the State Penitentiary at Philadelphia. JOURNAL-BULLETIN, December, 1913, page 444.

WILLIAM A. KENNEY, alias R. A. Young, 31 years old, was arrested in St. Louis, Mo., on December 5, 1913, on a charge of passing numerous worthless checks on merchants and hotel men in that city, also in Alton, Madison, East St. Louis, and other Illinois towns.

Kenney was arrested November 20, 1913, for passing a worthless check for $20 on a barber in St. Louis, but was released from custody after making good the amount of the check to the barber, since which time he has been kept under surveillance by the police, and was arrested after an investigation following complaints by numerous persons.

These worthless checks were all drawn on a non-membership bank at Marissa, Ill., for whom Kenney had worked at one time. He was formerly cashier of a bank at Coulterville, Ill.

Referring to the article published on page 447 of the December, 1913, JOURNAL-BULLETIN, relative to CLIFFORD W. MEYRICK, we have been informed that he was sentenced to five years instead of two years.

B. RAIN, alias William Rain, reported on page 767, May, 1913, and on page 46, July, 1913, JOURNAL-BULLETIN, was killed on December 13, 1913, when he was thrown out of a second-story window by some Greeks in San Francisco, Cal. At the time he was endeavoring to collect some money due him.

A man using the names EDWARD RAYNOR and Ed Morton was arrested on November 14, 1913, at Beaumont, Tex., where he passed some forged checks. This man also operated in Wichita, Kan., and Oklahoma City, Okla., where he passed several bad checks on stores at those points. He is described as follows: Age, 35 years; height, 5 feet 7 inches; weight, 140 to 150 pounds; build, medium; eyes, brown; hair, brown; slightly bald; Jewish appearance; left hand badly crippled; smooth shaven when apprehended.

WILLIAM REILLY, a painter, was arrested in St. Louis, Mo., December 20, 1913, following the return of a check drawn on a bank member of that city, and supposed to have been signed by a contractor, which signature was declared to be a forgery. It is said that Reilly has passed forty worthless checks in St. Louis within the last six weeks, averaging from $20 to $35, drawn on different banks of St. Louis. He is described as follows: 32 years old; 5 feet 10½ inches tall; weighs 155 pounds; medium build; light sandy beard; medium dark chestnut hair; ruddy complexion; regular teeth.

JULIUS A. SPITZER was arrested in Evansville, Ind., September 30, 1913, charged with forgery of five checks amounting to $528. He confessed his guilt in the city court on October 1, 1913, and was bound over to the circuit court under $1,000 bond, which he failed to give. Spitzer is described as being 20 years old; looks 23; height, 5 feet 8⅝ inches; weight, 133 pounds; slender build; fair complexion; light chestnut hair; blue eyes; small, prominent ears.

P. S. RENTSCHLER, one of a gang of professional forgers, mention of whom was made in the September, 1913, JOURNAL-BULLETIN, page 222, was last month arrested in the State of Florida by officials of that State and returned to Houston, Tex., by Sheriff M. F. Hammond, of Harris County, to stand trial on the charge of having defrauded the Rice Hotel of Houston out of $75 by means of a worthless check drawn on the Standard Scale and Supply Co. of Pittsburgh, Pa. Rentschler is confined in the Harris County jail at Houston, Tex., awaiting trial, he having been on November 25, 1913, indicted by the Harris County Grand Jury for this offense.

F. J. SANGSTER, alias A. J. Sangster, a former attorney of Buffalo, New York, was arrested in Chicago on a charge of cashing worthless drafts, and on November 25, 1913, before Judge Theodore Brentano, pleaded guilty to a charge of forgery and was sentenced to one year in the House of Correction, Chicago. JOURNAL-BULLETIN, October, 1913, page 282.

A man using the name of DR. A. I. SULYOK was arrested December 14, 1913, at St. Louis, Mo., on a charge of passing worthless checks in Granite City, Ill. His business associate, John Arkender, was arrested in the same city the next day. When arrested Sulyok claimed that he was in reality Baron A. J. Von Sulyok, a Hungarian, nephew of a Hungarian Baron, a graduate of the University of Buda Pesth, and a lawyer by profession.

Investigation shows that Sulyok has been doing a money transferring, real estate, loans, insurance, collection, patent agency, and notary public business in the foreign settlement of Granite City for the past three months, under the name International Foreign Exchange Co., of Granite City, Ill.; that with the assistance of Arkender he cultivates the acquaintance of people who own property with a lien or mortgage on same, then induces his man to borrow from him, he (Sulyok) receiving notes which he discounts for their face value and gives the borrower checks which are worthless.

Sulyok is described as follows: 28 years old; 5 feet 10 inches tall; weighs, 150 pounds; slender build; dark complexion; light hair; slightly stoop-shouldered; wears dark suit; Prince Albert coat; black derby hat; has Swiss movement watch, which he claimed to be 175 years old, an heirloom, which is about the size of a dollar and has a V-shaped crack in the crystal; also wears a cameo ring on the third finger of his left hand, which he says is 500 years old; speaks several languages.

A non-membership bank of Mount Vernon, Ill., on November 4, 1913, was held up and robbed by a man giving his name as James Watson, but who was afterward identified as HORACE A. WYCHE, of Wainesville, N. C. After locking three of the bank officials in the vault the robber fled, but was shortly afterward arrested by a posse of citizens, and the money was restored to the bank.

ARRESTED.

N. E. AYRES, alias Edw. W. Ayres, who was paroled to his father after having been sentenced to serve from one to five years in the penitentiary for cashing worthless checks, was rearrested and returned to Portland, as he had broken his parole. JOURNAL-BULLETIN, October, 1913, pages 283 and 285.

CHARLES F. BAKER, whose operations are chronicled through the columns of the JOURNAL-BULLETIN for July, 1911, page 31; August, 1912, page 110; December, 1912, page 386; February, 1913, page 536, and who has again been arrested in Chicago, on November 22, 1913, on a charge of passing forged and fraudulent checks, is also wanted in connection with passing forged and fraudulent checks on a member bank of Riverside, Cal.

Baker is described as follows: Age, 24 years; height, 5 feet 9¼ inches; weight, 175 pounds; build, athletic; complexion, fair; eyes, dark brown; hair, dark auburn; smooth shaven.

D. H. BATIE, a negro, was arrested at Mounds, Ark., on November 26, 1913, on a charge of forging the name of Sarah White, a negro woman of Mounds, to three checks, which checks Batie cashed at a store in payment for supplies. These checks were honored by a membership bank of Marianna, Ark. Batie is now in jail, bound over to the Grand Jury.

E. R. BERRY, mentioned on page 380 of the November, 1913, JOURNAL-BULLETIN, was arrested and lodged in the jail at Stockton, Kans. While waiting for the officer from Wichita, Kans., he made his escape. The same day he was recaptured.

Our detective agents arrested FRANK BROWN and his common-law wife, MRS. M. C. BLACK, alias McIntyre, alias Gruber, alias Rodgers, alias Conley, alias Woodruff, alias Brown, alias Aldman, on December 19, 1913. Mrs. Black was locked up on suspicion, under the name Helen Brown, and Brown was held on a charge of forgery. Mrs. Black was later released. She boasts of having been the lawful wife of five different men and of having had two common-law husbands.

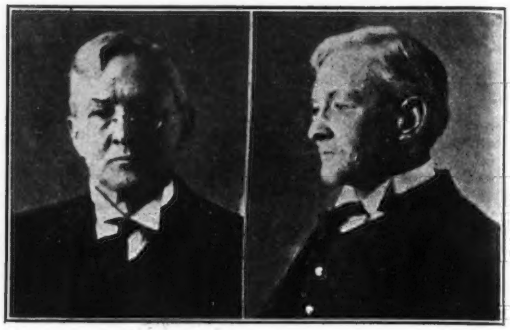
A complaint was made against Brown by a bank member in Los Angeles, Cal., he having defrauded them by means of a draft bearing a forged endorsement. The California Bankers' Association co-operated with this Association in the investigation of this case.

A bank member at Blythe, Cal., was held up and robbed on December 2, 1913. During the hold-up the cashier of the bank was shot and fatally wounded by one of the robbers. Our detective agents at Los Angeles, Cal., investigated the case and on December 5, 1913, assisted by the local authorities, they arrested PAUL CASE and TOM DARLING at El Centro, Cal.

Both of these criminals confessed to the robbery and explained the killing of the cashier. These men are now being held at the Riverside county jail and both have announced their intention of pleading guilty. All the money stolen was recovered. The California Bankers' Association co-operated with this Association in the investigation of this case.

JOHN GAINES, who was living with a farmer near Pryor, Okla., last spring, went to a membership bank at Pryor and mortgaged several head of horses and mules belonging to the farmer he lived with. At the time his note fell due he disappeared, taking with him this stock, which he had mortgaged, and selling it at Vinita, Okla.

Our detective agents in Kansas City were detailed on this case and traced Gaines to Miami, Okla., where, it was learned, he had recently stolen some horses there.



O. E. HAYNES.

The Houston Office of our detective agents on December 3, 1913, was advised by an official of a bank member in Houston that a stranger was attempting to have "Helena, Arkansas," and numbers inserted on ten blank cashier's checks at a local printing establishment, but had been turned down, and the stranger in question had proceeded to another establishment for the same purpose.

Our detective agents immediately got in touch with the printing establishment, who detained the stranger. With a member of the Houston detective department, a representative of our detective agency called on the firm in question, where they found a rather elderly gentleman about to leave the place. He was kept under surveillance and was seen to enter another printing establishment, where it was learned he was having printed letterheads of a membership bank at Helena, Ark., and also having the address of the same institution printed on some stamped envelopes. He was later traced to a rooming house on Main Street, where he was arrested the following morning by our detective agents and the local police.

The following morning it was learned that he was O. E. HAYNES, alias Milton W. Brown, alias Robert Y. Smith, alias Charles W. Walker, alias George B. Atwood, alias J. W. Arnold, alias Jason W. Sherman, who has operated extensively throughout the United States the past two years with two other accomplices.

He made a specialty of defrauding attorneys out of large sums of money by means of bogus cashier's checks and fake real estate deals, his favorite method being to open correspondence in some city with a well-known attorney, looking toward the purchasing of the interests of either a wife or brother. After the deal had been completed, either he or his accomplices would forward the attorney a cashier's check, generally ranging from $2,000 to $3,000, made out in due form and bearing protectograph perforation across the face of same. He most always received the attorney's check in exchange for the bogus one, less the attorney's fee deducted.

His last victim was an attorney, Thomas G. Watkins, in Nashville, Tenn., whom he defrauded out of $2,000. He was known to have defrauded but one member bank at Toronto, Ohio.

Haynes is a man 60 years of age, standing 5 feet 10 or 11 inches in height, of a rather neat appearance, not looking more than 50 years of age, and an exceptionally clever conversationalist; far above the average in point of intelligence. JOURNAL-BULLETIN, June, 1913, pages 838, 839, and August, 1913, page 105.

VINCENT JANKOSKY, alias W. Knox, alias Kosky, alias Van Jankosky, alias "Cyclone," was arrested in St. Louis, Mo., on December 20, 1913, on several charges of burglary. He will be held on these charges, and in the event that he cannot be convicted on them, the warrant charging forgery, issued upon

information furnished by a St. Louis bank member, will be served upon him.

Jankosky is described as follows: 21 to 22 years old; 5 feet 6 inches tall; weighs 130 to 135 pounds; medium build; dark hair and eyes; medium complexion; smooth shaven; front upper teeth protrude slightly; nose near tip marked as though it had been broken; when last seen wore new dark suit, tan shoes, soft black telescope hat; untidy appearance.

DOMENICA MIGLIACCIO, alias "Cowboy," stole the passbook of his brother, who had an account with a bank member in Poughkeepsie, N. Y. He presented at the bank two checks to which the name of his brother had been forged, and succeeded in obtaining the money on them. The first check was cashed on November 24, 1913, and the other on December 5, 1913. The matter was reported to us on December 16, 1913, and a representative of our detective agents traced Domenica Migliaccio to Utica, N. Y. There he was arrested by the representative of our detective agents and detective John Grande, of the Utica Police Department, on the morning of December 20, 1913.

He was returned to Poughkeepsie to answer a charge of forgery and grand larceny.

Our detective agents at Chicago, Ill., on December 20, 1913, were advised of a forgery perpetrated by one WALTER SHERMAN against a member bank at Texas City, Texas, the telegram being received at 8.30 o'clock that morning. Five hours later they had succeeded in locating this forger, keeping him under surveillance until such time as an officer from the police department could arrive and place this forger under arrest, after which he was taken to the police station, where he acknowledged having passed the check and receiving the money, which he claimed, however, he had given to another party. It is very evident that he intended to leave the home of his mother, when he was arrested, for parts unknown.

Sherman, who used the aliases of John Sherman and John Belasco, is described as follows: Age, about 18 years; height, 5 feet 10 inches; weight, 145 pounds; hair, light; eyes, light blue and slightly crossed; front upper side tooth out, only visible when he smiles.

F. G. Reed, who was recently arrested in Butte, Mont., on a charge of forgery, has been identified by the Chief of Police of that city as ARTHUR H. SMITH, who succeeded in defrauding a bank member and several merchants in Portland, Ore., during Thanksgiving week.

Smith had been employed as bookkeeper for a lumber company at their logging camp at Scappoose, Ore., and upon leaving their employ went to Portland, Ore., when he succeeded in passing many pay checks.

He is described as follows: Age, 25 to 27 years; height, 5 feet 9 inches; weight, 140 pounds; build, slender; square shoulders; complexion, pale, sickly; hair, blond; eyes, blue; nose, long, sharp; smooth shaven; occupation, bookkeeper; dress, blue suit, yellowish raincoat, black derby hat; smokes cigars, drinks; is a smooth talker and polite.

The Oregon Bankers' Association is interested with this Association in this case.

It is reported that Smith recently was released from the State Reformatory at Monroe, Wash., after having served two years' time for forgery.

C. B. SMITH, who escaped jail at Albany, Ore., was rearrested in San Francisco, Cal. He was returned to Albany, Ore., and then taken to Eugene, Ore., where he is now confined in jail awaiting trial for defrauding a membership bank there. The Oregon Bankers' Association is co-operating with this Association in this case.

HARRY A. WAMBOLD, alias H. H. Webster, who defrauded a bank member at Houston, Texas, by means of a forged check, November 26, 1913, was arrested on December 1, 1913, while about to enter a local hotel.

Wambold appeared at the paying teller's window, disguised and wearing a pair of blue goggles. The forgery was discovered within a half hour after the bank had been defrauded. In default of bond, Wambold was committed to the county jail to await trial.

REMOVED.

N. E. AYRES, reported in the "Arrested" column of this issue, was taken to the Oregon State Penitentiary on November 25, 1913, to begin a sentence of one to five years.

THOMAS C. B. AYRES pleaded guilty and was sentenced to serve two years in the State Penitentiary at San Quentin on September 11, 1913. JOURNAL-BULLETIN, July, 1913, page 43.

HOWARD W. BALLARD was recently tried at Miami, Okla., and received a sentence of one year in the State Penitentiary. He has asked for a new trial and the hearing for this comes up the first part of January, 1914.

STEVE BARRETT, alias Charles Baab, alias Charles Allen, on September 29, 1913, pleaded guilty to a charge of forgery and was sentenced to serve a term of three to five years in the Santa Fe, N. M., Penitentiary. JOURNAL-BULLETIN, September, 1913, page 221, and October, 1913, page 283.

OTTO BURTIS, alias B. H. Macon, who was mentioned in the JOURNAL-BULLETIN for November, 1911, page 311, September, 1912, page 181, was discharged, following his arrest at Yarrington, Nev., on account of the failure of officers from Indiana to extradite him.

JAMES M. CAMPBELL pleaded guilty in the Superior Court of Los Angeles County on September 25, 1913, and was held to the order of the Superior Court of San Diego County and turned over to the authorities of San Diego. JOURNAL-BULLETIN, June, 1913, page 840.

C. E. COLE, alias E. C. Cole, alias Ellis Cole, alias J. E. Long, swindler and bogus check operator, mentioned on page 437, January, 1912, and page 502, February, 1912, JOURNAL-BULLETIN, was discharged for lack of evidence.

A. H. CONN, whose arrest was reported on page 284 of the November, 1913, JOURNAL-BULLETIN, has jumped his bail and is again being sought by our detective agents.

VAN R. COOVER pleaded guilty to forgery on August 18, 1913, and on August 25, 1913, his sentence was suspended for one year and he was admitted to probation. JOURNAL-BULLETIN, May, 1913, page 766.

The case against WILLIAM DECKMAN has been dismissed, inasmuch as it was impossible to get the leading witness, who lives in Kansas City, Kans., to come to Missouri to testify against this man. JOURNAL-BULLETIN, September, 1913, page 220, and October, 1913, page 283.

ROBERT DINKINS, whose operations were reported through the columns of the JOURNAL-BULLETIN for August, 1913, page 102; September,

1913, page 224; November, 1913, page 387, and who was arrested at Muncie, Ind., on a charge of forgery against a member bank at Muncie, Ind., was tried at Anderson, Madison County, Ind., and on September 5, 1913, was convicted and later sentenced by the Court on a charge of forgery. He was, however, immediately paroled by the Court pending his good behavior.

AQUILA H. DULANEY, on December 18, 1913, pleaded guilty to passing two forged checks at St. Louis, Mo., and was sentenced to ten years in the Missouri State Penitentiary at Jefferson City, Mo. JOURNAL-BULLETIN, October, 1913, page 278, and December, 1913, page 445.

M. DUPARS, alias Sargent, alias George R. Schillinger, bogus check operator, of whom mention is made in the JOURNAL-BULLETIN for October, 1913, page 283, and who defrauded a member bank in El Paso with a bogus check, and who was later arrested in Chicago, Ill., on August 28, 1913, was returned to El Paso for prosecution. He was sentenced to the penitentiary for a period of two years.

In August, 1913, S. S. EBERMAN, mentioned on page 106 of the August, 1913, JOURNAL-BULLETIN, was sentenced to serve from one year to eighteen months in the State Penitentiary at Rawlins, Wyo.

H. E. ESTES, mention of whom is made on page 600 of the March, 1913, and page 43 of the July, 1913, JOURNAL-BULLETIN, has been sentenced to serve one year in the Federal Penitentiary for swindling a bank member at White City, Kans. About twenty counts are still held against this man, and the Federal authorities state that they will prosecute him on each count as his previous term expires.

THOMAS FITZGERALD, mentioned on page 681 of the April, 1913, JOURNAL-BULLETIN, was sentenced to five years in the penitentiary, but on account of his youth and owing to the fact that he secured no money by his crime, was paroled.

HERBERT FRANKEL, at his trial at Hartford, Conn., was positively identified as "Dr. Hugh J. Hughes," who operated in St. Louis, Mo., last May. Frankel was convicted of defrauding a bank member at New Britain, Conn., and was sentenced on December 11, 1913, to serve not less than four nor more than eleven years in the Connecticut State Prison. JOURNAL-BULLETIN, June, 1913, page 836, and December, 1913, page 445.

WILLIAM FROST, whose arrest was mentioned on page 445 of the December, 1913, JOURNAL-BULLETIN, was sentenced to serve three years and six months in the South Dakota State Reform School.

JOHN GAINES, whose arrest is reported elsewhere in this issue, was convicted at Miami, Okla., and sentenced to serve four years in the reformatory at Granite, Okla.

S. L. GOLDEN, on October 24, 1913, received a suspended sentence. His arrest was reported in the October, 1913, JOURNAL-BULLETIN, page 283.

The case against J. E. GROUT, arrested in connection with a forgery perpetrated against a bank member at Kansas City, Mo., was dismissed, as no one from the firm of Shearson, Hammill & Co., by whom Grout was previously employed, would appear as a witness against him. JOURNAL-BULLETIN, June, 1913, page 840.

C. J. HOEL, alias J. L. Hoel, alias C. Hoel, charged with defrauding a bank member at Coffeyville, Kans., was convicted on another charge and sentenced to serve thirty days in jail. JOURNAL-BULLETIN, July, 1913, page 44.

FRANK HOLTSLANDER, JR., who defrauded a North Platte, Neb., bank member, escaped jail at that place on October 16, 1913. A reward of $50 is offered for his arrest. JOURNAL-BULLETIN, June, 1913, page 837, and July, 1913, page 44.

JOHN HENRY HORNUNG, mentioned on page 40 of the July, 1913, and page 107 of the August, 1913, JOURNAL-BULLETIN, was sentenced to serve a term of ten years in States Prison.

ALFRED HUNTER, mentioned in the JOURNAL-BULLETIN, July, 1913, page 40, and December, 1913, page 446, was sentenced on December 5, 1913, to serve a term of from two years and six months to five years and six months in States Prison.

W. R. HURST, whose arrest was reported on page 385 of the November, 1913, JOURNAL-BULLETIN, was sentenced to serve one year in the Bismarck, N. D., Penitentiary.

A. R. JOHNSEN, whose arrest is reported on page 107 of the August, 1913, JOURNAL-BULLETIN, on October 28, 1913, was sentenced to serve from five to ten years in Sing Sing Prison.

J. A. JORDAN, alias S. A. Jordan, on June 2, 1913, was sentenced to a term of three years in the Colorado State Penitentiary at Canon City, Colo. He was an accomplice of Jarvis Peters, alias C. J. Spencer. JOURNAL-BULLETIN, June, 1912, page 762; July, 1912, page 35; August, 1912, page 110; April, 1913, page 673; May, 1913, page 767; November, 1913, page 386.

SIDNEY T. KAUDERS, mentioned in the columns of the JOURNAL-BULLETIN for June, 1913, page 838, and December, 1913, page 446, and who was arrested in Seattle, Wash., and returned to Milwaukee for prosecution, has been found guilty on a charge of issuing fraudulent checks and was sentenced to one year in the House of Correction at Milwaukee, Wis.

FRANK LACY, reported in the March, 1913, JOURNAL-BULLETIN, page 607, was dismissed for lack of evidence on February 21, 1913.

R. EMMET LUCAS pleaded guilty on September 19, 1913, and was placed on probation for three years. JOURNAL-BULLETIN, August, 1913, page 101, and October, 1913, page 284.

THOMAS McCOY, whose arrest was reported on page 284, October, 1913, JOURNAL-BULLETIN, was returned to the State Penitentiary at Lansing, Kans., to finish out a five years' sentence.

J. WALTER McKELWAY, an account of whose operations appeared in the December number of the JOURNAL-BULLETIN, page 446, was on trial, December, 1913, in the Criminal Court at Houston, Texas. He pleaded guilty in two cases of forgery and passing, and asked to be sentenced immediately. McKelway said that he did not desire to take advantage of the new suspended-sentence law. His wish was granted and Judge C. W. Robinson sentenced him to two years in the State Penitentiary in each case.

FRED R. MATHER, who was arrested by our detective agents at Buffalo, N. Y., on July 26, 1913, and returned to Cleveland, was found guilty of obtaining money by false pretense. He was given a sentence of thirty days at the Correction Farm and a fine of $10 and costs. JOURNAL-BULLETIN, August, 1913, page 107, and September, 1913, page 224.

CHARLES J. MATTHEWS was convicted of being implicated with JAMES F. WILSON, and was sentenced to the State Reformatory at Buena Vista, Colo., on December 5, 1913. Matthews and Wilson were released from the reformatory and turned over to the Chicago police. They are wanted in Chicago for defrauding a hotel. JOURNAL-BULLETIN, September, 1913, pages 225 and 226.

W. A. MATTHEWS, whose arrest was reported on page 225 of the September, 1913, JOURNAL-BULLETIN, has been discharged, as he was able to convince the authorities that he had no intention of defrauding a bank member at Denver, Colo., when he drew a worthless check on them.

PHILLIP H. MITCHELL, arrested on September 17, 1913, for swindling a bank member at Bartlesville, Okla., recently escaped from the jail at Bartlesville. Our detective agents are again looking for this man. JOURNAL-BULLETIN, October, 1913, page 284.

WILLIAM F. NEISS pleaded guilty on October 26, 1913, and was placed on probation for three years. JOURNAL-BULLETIN, April, 1913, page 682, and June, 1913, page 843.

CHARLES O'CONNELL, bank sneak, mentioned in the JOURNAL-BULLETIN, September, 1913, page 221, and October, 1913, page 284, on December 6, 1913, at Albany, N. Y., was convicted and sentenced to serve five years and six months in Clinton Prison.

CLAUDE OLIVER pleaded guilty on September 15, 1913, and was placed on probation for two years. JOURNAL-BULLETIN, October, 1913, page 284.

FREDERICK GEORGE PALMER, whose arrest was reported in April, 1913, JOURNAL-BULLETIN, page 682, pleaded guilty on April 17, 1913, and was placed on probation for three years.

WILLIS PALMER, who has been mentioned in the JOURNAL-BULLETIN for June, 1913, page 835, and December, 1913, page 447, has been released at Los Angeles, Cal., on account of the failure to extradite him to Chicago, Ill., or Indianapolis, Ind.

WILLIAM H. PLUM, mention of whom is made in JOURNAL-BULLETINS, June, 1912, page 763; July, 1912, page 31; February, 1913, page 534, was recently tried in Oklahoma City, and was sentenced to serve one year in the penitentiary.

HARRY ROBINSON, arrested in connection with the burglary of a bank member at Bastrop, La., confessed, pleaded guilty, and received a sentence of five years in the Louisiana State Penitentiary.

Before the time came for C. D. ROMERO'S trial, his health failed and his mind became affected, and for a while it looked as though he would be sent to a mental hospital, but after a while he recovered and was discharged. JOURNAL-BULLETIN, January, 1913, page 457.

GABRIELLE ROSENTHAL, alias Harvey Rosenwald, alias G. Franklin Rose, mention of whose arrest appeared on page 385 of the November, 1913, JOURNAL-BULLETIN, was sentenced on November 26, 1913, in New York City, to the Elmira Reformatory.

ARTHUR H. SMITH, whose arrest is reported in another column of this issue, pleaded guilty to the charge made against him at Butte, Mont., and was sentenced on December 9, 1913, to serve one year in the penitentiary.

F. J. SMITH, alias F. S. Smith, mention of whom is made in the September, 1913, JOURNAL-BULLETIN, page 222, and the October, 1913, JOURNAL-BULLETIN, page 285, entered a plea of guilty, and on October 26, 1913, was sentenced to the State Penitentiary at Rawlins, Wyo., for a term of one and one-half years.

ROY SMITH, mention of whom is made in the JOURNAL-BULLETIN for August, 1913, page 108, on December 16, 1913, pleaded guilty and was sentenced to the Colorado State Reformatory at Canon City for a term of from one year to fifteen months.

W. J. SMITH was discharged. His arrest was reported on page 385 of the JOURNAL-BULLETIN, November, 1913.

The indictment against OLE PETER SOLHEIM, who was arrested on complaint of a bank member at Minneapolis, Minn., has been dismissed. JOURNAL-BULLETIN, August, 1912, page 112, and August, 1913, page 108.

LEO SONNEBERG was sentenced on December 22, 1913, to serve from two years and six months to four years and six months in States Prison. JOURNAL-BULLETIN, April, 1913, page 683.

WILLIAM H. TAFT, whose arrest was reported in July, 1913, JOURNAL-BULLETIN, page 44, was found guilty by a jury on October 10, 1913, and sentenced to serve two years in the State Penitentiary at San Quentin.

Although identified by a hotel clerk as the party who had been passing forged pay checks drawn on a Detroit, Mich., bank member and convicted of passing one of the checks in Chicago, Ill., FRANCIS WALSH, who has been carried in the Awaiting Trial List (under the name of William R. Woodruff), is innocent of the charge, according to Garrett Becker, who has made a full confession. Therefore, we are taking his name out of the Awaiting Trial List and make the proper correction in the statistics. JOURNAL-BULLETIN, March, 1913, page 600; June, 1913, page 842, and November, 1913, page 384.

Ten years in the Oklahoma State Penitentiary at McAlester, Okla., was the sentence imposed on CHARLES WILSON, arrested in connection with the attempted burglary of a bank member at Vera, Okla. JOURNAL-BULLETIN, November, 1912, page 318; and March, 1913, page 605.

EDMUND WITTKOWSKI, on November 29, 1913, at Grand Rapids, Mich., was convicted of defrauding a bank member of that place, and sentenced to serve from 3½ years to 14 years at the Michigan State Prison, Jackson, Mich. JOURNAL-BULLETIN, December, 1913, page 446.

AWAITING TRIAL, EXTRADITION OR SENTENCE, JANUARY 1, 1914.

ALLEGED FORGERS, ETC.

Adams, Roy D., September 6, 1913, arrested; swindle Lawrence, Kans.

Ainsworth, J. S., August 17, 1913, arrested; forgery Monroe, La.

Albers, Hans Otto, August 25, 1913, arrested; forgery Chicago, Ill.

Bailey, Mrs. Ray, April 30, 1912, arrested; forgery Waterloo, Ia.

Baker, Charles F., November 22, 1913, arrested; forgery Riverside, Cal.

Batie, D. H., November 26, 1913, arrested; forgery Marianna, Ark.

Becker, Garrett, October 11, 1913, arrested; forgery Detroit, Mich.

Beresford, O. J., July 9, 1912, arrested; swindle San Pedro, Cal.

Bernard, Harry, November 23, 1913, arrested; swindle Larned, Kans.

Berry, E. R., December, 1913, arrested; forgery Wichita, Kan.

Black, Joe, September 23, 1913, arrested; swindle Paducah, Ky.

Booker, E. W., January, 1913, arrested; forgery Auxvasse, Mo.

Brown, Frank, December 19, 1913, arrested; forgery Los Angeles, Cal.

Burns, Charles D., October 23, 1913, arrested; swindle Portland, Ore.

Bush, J. A., May 29, 1913, arrested; forgery Wenatchee, Wash.

Calistano, Tony, March 7, 1913, arrested; forgery Cleveland, Ohio.

Carbuhn, Julius C., August 1, 1913, arrested; forgery Sumner, Wash.

Carpenter, Frederick H., May 11, 1912, arrested; forgery Providence, R. I.

Casper, Charles J., August 31, 1912, arrested; forgery Steger, Ill.

Chestnut, W. P., July 8, 1913, arrested; forgery Americus, Ga.

Cohen, Samuel, March 15, 1912, arrested; forgery Boston, Mass.

Collins, T. J., September 19, 1912, arrested; swindle Helena, Ark.

Cooper, ——, May, 1913, arrested; forgery New York City.

De Lone, L. E., November 17, 1913, arrested; swindle Pittsburgh, Pa.

Douglass, George, April 10, 1913, arrested; forgery Rochester, N. H.

Ellars, William A., February 11, 1913, arrested; forgery Fort Worth, Texas.

Fowler, Frank W., April 30, 1912, arrested; swindle Chicago, Ill.

Frierson, Chauncey L., November 5, 1913, arrested; forgery Kansas City, Mo.

Gerwitz, Merrill, June 30, 1913, arrested; forgery Cattaraugus, N. Y.

Giles, L. W., September 22, 1913, arrested; forgery Springfield, Mass.

Glasgow, George W., November 20, 1913, arrested; swindle Covina, Cal.

Gray, S. H., November 12, 1910, arrested; forgery Athens, Tenn.

Grubb, Ray, August 1, 1913, arrested; forgery Woodward, Ia.

Haiken, Esther, May 28, 1912, arrested; forgery New York, N. Y.

Hammond, Allie, June 3, 1913, arrested; swindle Clymer, Pa.

Hank, Warren, May 13, 1911, arrested; attempted swindle Wapakoneta, Ohio.

Harper, W. E., November 7, 1913, arrested; forgery Tulsa, Okla.

Hawley, Willard, June, 1913, arrested; forgery Houston, Texas.

Hayes, Charles F., November 3, 1913, arrested; forgery Marlboro, Mass.

Haynes, O. E., December 4, 1913, arrested; forgery Toronto, Ohio.

Henifer, Charles, January 16, 1913, arrested; forgery Richmond, Va.

Hewitt, W. A., October 16, 1913, arrested; theft Jackson, Miss.

Houston, J. L., April 24, 1912, arrested; swindle Chicago, Ill.

Hudson, John E., November 19, 1912, arrested; swindle Beeville, Texas.

Isaacs, Walter, April 25, 1913, arrested; swindle Kingsport, Tenn.

Jankosky, Vincent, December 20, 1913, arrested; forgery St. Louis, Mo.

Johnson, Latus, August 25, 1913, arrested; forgery Brownsville, Texas.

Keith, R. L., March 26, 1913, arrested; swindle Chattanooga, Tenn.

Kelly, Robert M., June 8, 1913, arrested; swindle Bishopville, S. C.

Kirkpatrick, H. S., June 15, 1911, arrested; forgery West Point, Ga.

Lewis, Andy, August 15, 1913, arrested; forgery Prestonburg, Ky.

Leyser, Harold T., November 3, 1913, arrested; forgery Chicago, Ill.

McClendin, Ella, June 3, 1913, arrested; attempted swindle Georgetown, Col.

McReady, R., April 26, 1913, arrested; forgery Fort Lauderdale, Fla.

Marcus, C. W., September 13, 1913, arrested; swindle Atlanta, Ga.

Mattingly, C. B., March, 1913, arrested; swindle Beebe, Ark.

Merritt, G. C., May 21, 1913, arrested; swindle Des Moines, Ia.

Meyers, Charles H., December 30, 1912, arrested; swindle Eastman, Ga.

Migliaccio, Domenica, December 20, 1913, arrested; forgery Poughkeepsie, N. Y.

Mitchell, C. E., July 26, 1912, arrested; swindle Monroe, La.

Montague, Lewis, November 20, 1913, arrested; swindle Columbia, S. C.

Morton, Chas. S., January 6, 1912, arrested; swindle Baltimore, Md.

Nelson, C. J., April 18, 1912, arrested; forgery Birmingham, Ala.

Newman, Ira, May 17, 1912, arrested; forgery Cairo, Ill.

Palmer, T. J., August 18, 1913, arrested; forgery Chicago, Ill.

Panos, James, May, 1913, arrested; swindle Willits, Cal.

Perry, Chas. G., October 25, 1912, arrested; swindle Middletown, Pa.

Posey, J. E., August 10, 1911, arrested; forgery Aiken, S. C.

Rapp, Frank, September 2, 1913, arrested; forgery Chicago, Ill.

Reedy, E. K., July, 1913, arrested; forgery Redlands, Cal.

Richason, M., January 1, 1913, arrested; swindle Kansas City, Mo.

Robinson, E. L., November 12, 1913, arrested; swindle Attica, N. Y.

Rogers, C. R., August, 1912, arrested; forgery Cordele, Ga.

Scherberg, C. W., February, 1913, arrested; swindle Grenada, Miss.

Schreiber, Herbert E., August 2, 1912, arrested; swindle Denver, Col.

Sherman, Walter, December 20, 1913, arrested; forgery Texas City, Tex.

Shivers, Vernon F., December 21, 1911, arrested; forgery Lake Providence, La.

Smith, C. B., December 3, 1913, arrested; swindle Albany, Ore.

Stone, Harry, November, 1912, arrested; forgery Bakersfield, Cal.

Sturgis, R. E., July 3, 1913, arrested; swindle Jennings, La.

Sullivan, Charles, September 7, 1913, arrested; swindle Munfordville, Ky.

Suttle, A. J., Jr., October 9, 1913, arrested; forgery Greeley, Col.

Tamble, Phil, June, 1913, arrested; theft Detroit, Mich.

Van Leckwyck, Carl, October 2, 1912, arrested; forgery Plymouth, Mass.

Vincent, H. S., January 29, 1913, arrested; swindle Memphis, Tenn.

Walton, Harold, June 8, 1913, re-arrested; swindle New Orleans, La.

Wambold, Harry A., December 1, 1913, arrested; forgery Houston, Tex.

Weil, Maechel, February 17, 1912, arrested; swindle Chicago, Ill.

West, Henry, May 19, 1911, arrested; forgery Yuma, Ariz.

Wheeler, Charles E., February 14, 1913, arrested; swindle Tulsa, Okla.

Williams, George A., August 1, 1913, arrested; forgery Pittsburgh, Pa.

Woolf, Belt, May, 1913, arrested; forgery New York City.

York, G. A., January, 1913, arrested; raised check Waterville, Wash.

BURGLARS AND HOLD-UP ROBBERS.

Baggett, H. C., February 21, 1913, arrested; attempted burglary Talladega, Ala.

Case, Paul, December 5, 1913, arrested; hold-up Blythe, Cal.

Clark, William, April 14, 1913, arrested; burglary Mosier, Ore.

Darling, Tom, December 5, 1913, arrested; hold-up Blythe, Cal.

Faulkner, Leon, June 2, 1913, arrested; attempted burglary Yukon, Okla.

Gagnier, Edward, April 14, 1913, arrested; burglary Mosier, Ore.

Karslake, A., March 19, 1913, arrested; burglary Bastrop, La.

Moorey, Vivian, June 2, 1913, arrested; attempted burglary Yukon, Okla.

Morris, Frank, May 9, 1911, arrested; attempted burglary Layton, Utah.

Robinson, Mrs. Harry, March 19, 1913, arrested; burglary Bastrop, La.

STATISTICS OF THE WORK OF THE PROTECTIVE DEPARTMENT.

AS REPORTED TO THE STANDING PROTECTIVE COMMITTEE.

From September 1, 1913, to December 31, 1913.

New York, N. Y., January 1, 1914.

Persons arrested, discharged, convicted, sentenced, awaiting trial, etc.

	Awaiting Trial, etc. September 1, 1913.	Arrested Since September, 1913.	Arrests in December, 1913.	Total.	Convicted.	Discharged or Acquitted.	Escaped or Fugitive.	Awaiting Trial.
Forgers	130	71	13	84	90	27	4	93
Burglars	12	..	..	..	4	..	..	8
Hold-up robbers	1	..	2	2	1	..	..	2
	143	71	15	86	95	27	4	103

AMERICAN INSTITUTE OF BANKING BULLETIN

Contributions for this Department must be received by the Educational Director of the Institute not later than the 20th of the month preceding publication.

NATIONAL BANK LEGISLATION.

By Albert S. Bolles, Ph.D., LL.D., of Haverford College—Address Before Philadelphia Chapter of the American Institute of Banking.

THE two most serious imperfections in our National banking system are often declared to be the inelasticity of bank note issues and the inability of banks to meet the unusual demands of borrowers. I shall deal this evening with only the last of these two problems.

If there were only one bank in a community, and all who borrowed therefrom and all who received the money thus borrowed returned it to the bank, it would be safe in lending very large amounts, for its resources would not be depleted by the process. The checks given by the borrowers would be returned by the payees, the amounts charged one man would be credited to another, and the operation from the bank point of view would consist simply in bookkeeping; its reserves would remain unchanged.

If a great National bank were established in which business could be done as if it were a community bank, the same desirable result would be obtained. The only restriction on lending would be the ability of the borrowers to pay; all who wanted loans and had proper security could have them; and there could be no lack of the bank's ability to accommodate such persons.

But if a National bank, or a series of regional banks cannot be created that will operate in this manner; if, by any of the recently proposed methods, payments of money must actually be made, and the resources of the central or of the regional banks must be depleted, they cannot operate as a community bank.

This idea may be put in another form. The community bank is a credit institution in the highest sense of the word, limited with respect to the extent of its operations only by the ability of borrowers to fulfil their obligations. The proposed central bank or regional banks are banks for making payments as well as giving credits, and the amount of their business must be confined to their ability to pay. They are credit institutions in a much more restricted sense than the community bank. The two kinds of banks are radically different, and no one has yet found a way to transform the bank of restricted credit into the other kind with a credit practically unlimited.

With the existing banks, whenever payments much beyond the usual amount are demanded, their managers become anxious, not because they fear ultimate insolvency, for the resources of all, with occasional exceptions, are properly loaned or invested, and in due time can be converted into money, but because the managers fear a possible temporary failure to pay, for the obvious reason that they do not command immediate possession of the entire resources—indeed, of only a small portion of them. If, therefore, any unusual demand is made for them, and is continued, it is only a question of time when a bank must temporarily stop paying or lending, until fresh resources are derived from depositors or from borrowers who have paid their loans, or by borrowing either directly or by way of rediscounts.

The Call Loan Method of Commanding a Bank's Resources.

The problem is now clearly before us, how can a bank prevent this dire calamity? One way is for a bank to obtain a more perfect command of its resources for making payments. What is meant by a more perfect command of a bank's resources? Does the phrase mean that a bank should keep larger resources, in other words, lend a smaller amount of its deposits? If so, of course profits will be smaller and dividends will be lessened. This would be the inevitable result of keeping more; you cannot keep

them and lend them at the same time, and if they are not lent, of course they will bear no fruit in the way of profits.

Do I mean that loans should be made in such a way that the banks can more easily demand their payment? This has been attempted by lending money on call; and every banker knows the delusive nature of such loans. If a loan is called in ordinary times and the borrower's security is ample, he can negotiate a new loan on the same security with another bank, and with the money repay the first lender. In effect, the loan is transferred to another bank. When, however, many banks call loans at the same time, then the trouble at once appears. No bank wishes to make new loans, and borrowers immediately discover that they cannot pay, and the lending bank that it cannot get its money. What, then, can be done? The lenders have the alternative to sell the security they possess for their loans; but if they do, the market rapidly falls under the well-understood law of supply and demand, and they may be unable to reimburse themselves. Again and again have prices in the stock market fallen greatly in a few minutes under pressure to sell the securities held by banking institutions. Again and again have banks, notwithstanding the margin of security, failed to get back money they have loaned, and besides bankrupting their borrowers by selling their securities, have been permanent losers for the unpaid balances.

As a method of keeping bank funds more perfectly within its control, call loans are therefore a delusion; no experience is better known among bankers than this, and the sooner the delusion is fully admitted and banks act accordingly the better for the banking and commercial world.

The Concentration of Reserves.

Setting aside, then, the call loan delusion, how can a bank improve its method of keeping more perfect control of its resources, and thus be better prepared to meet the unusual demands than the present method of lending on short time obligations, well secured or indorsed?

The inquiry may be divided, for the demands of borrowers and depositors are not on the same level. The contract between bank and depositor, except for time deposits, is imperative for their return on demand. No express or implied contract exists between a bank and its borrowers to renew their contracts on all occasions; on the other hand, in many cases it is expected that they will be paid on maturity without renewal. In other cases their renewal is a matter of expectation, but not of fixed obligation.

We are now in front of the question, how can a bank obtain fresh resources to meet these demands? If only a single bank is in need of them, or a few banks, they can borrow from other banks; if all are in need of them, as sometimes happens, the necessity must be met in the same way.

All the methods, plans, schemes, previously known or disclosed by those who have been recently trying to illuminate Congress, may be reduced to two ways —keeping larger reserves or providing a fresh reservoir in the way of emergency notes, in other words, fresh issues from some source of credit.

It is contended that by concentrating the reserves this result may be accomplished, in other words, that they will have greater efficiency if concentrated than they now have separated among so many banking institutions. This contention looks plausible, but an analysis readily discloses serious flaws. Let us first make sure that the plan will create such a reservoir.

Suppose they were concentrated and then dissipated, and the time came for using them and they were not there, what then? Neither the proposed central bank nor the regional banks intend that all their reserves shall be kept at ordinary times for emergency purposes. If they were thus kept, then the profits accruing to shareholders would indeed be small. If large amounts are loaned at ordinary times, then only the remainder will be left for unusual emergencies. You cannot have your cake and eat it too, and this homely adage as forcibly applies to banks as to a starving child.

Let us put this criticism into the form of figures. Mr. Glass says that, approximately, the Federal reserve banks will have the following resources: Capital, $104,000,000,000, about $400,000,000 in reserve funds derived from the banks, five-twelfths of their deposits, and $200,000 more of Government deposits. Thirty-three per cent. of these deposits must be kept as a reserve, or eight per cent. more than the banks in the central reserve cities are required to keep. Their capital, however, and the remaining sixty-seven per cent. of their deposits may be loaned out, just as other banks lend their capital, deposits and surplus. Now suppose this sum is loaned out in ordinary times in the way of rediscounts to the banks or in other ways, what can the bank lend in times of emergency? The thirty-three per cent. must be kept, just as the twenty-five per cent. must be kept at present. You know how eagerly the Government watches the banks to prevent an invasion into their reserves, and how quickly it compels them to cut off discounts as soon as they are below the line, in order to make up the deficiency through payments by borrowers or by fresh deposits. Where, then, is the relief coming by this new system? Not from any concentration of reserves, for there is none above the required amount. These federal reserve banks would be, therefore, in precisely the same condition, so far as having a supply of money on hand to meet the unusual emergency, as the banks now are under the present system. The only real relief is not to come from an additional supply of money, for there would probably be none, but from the issue of notes; in other words, by the expansion of credit. There would be a large imaginary reserve, just as there is at present, a book or record reserve, but no actual one. An actual additional money reserve would be just as much of a delusion as call loans in times of general call are synonymous with ready money.

Turn this problem over any way you will, if the reserves are actually kept, no matter where, no profit can be made on them; if they are not kept, they do not exist, and your central relief bank or regional relief banks become just as much of a delusion as your call loan. There is no escape from these deductions.

If the central bank or regional bank borrowers should put the money borrowed back into these banks, as in the case of our community bank described at the beginning, then indeed there would be relief, because the banks could use the fund over again; but so long as it is simply a mixed system of credits and payments, the relief desired will not be obtained, and the experiment will prove a delusion and disappointment.

All that would be left of this part of the plan adopted by the lower house of Congress would be the method or plan for issuing notes.

The Use of an Emergency Currency.

This, therefore, is another way to meet the situation by providing for the issue of an emergency currency. Much unthinking and unfair criticism has been leveled against the Aldrich-Vreeland plan. The notes exist and can be put into immediate use if desired. That they have not been used does not detract an iota from the worth of the measure. Their presence, the knowledge that they could be put into use, has unquestionably had the effect desired—of allaying fear of a shortage of money, of preventing the rise of panicky conditions. Had these notes not been authorized, doubtless the fear of a monetary stringency would have been stronger with every succeeding autumn. The plan has proved effective, has done its work; and those greatly err who fail to see the good effect produced by it.

There must, however, be something more than this in the way of emergency notes; and what shall this be? To understand my suggestion, it may be approached by an explanation. You all know that from time to time the need of a National clearing house has been urged at the American Bankers Association meetings and at other gatherings of bankers. In some parts of the country a system of collections exists, but there is no system covering the entire country. The objections to such a system need not be considered; the one most often mentioned is the

diversion of business that would attend its creation. The advantages are so obvious in the way of economy, safety and greater rapidity of collection that nothing more need be added in its favor.

Suppose the system were established throughout the country, with clearing houses in all the places where National reserve banks are now located? Perhaps there should be a few more or a few less, the answer determining this question would turn largely on the mail facilities existing between a clearing house and its members. The grouping of banks should be with reference to the best facilities for collection.

These clearing houses should be clothed with some additional functions. One of these should be to lend the money collected from their members whenever this was desired. They should have ample authority to do this, also to indorse the paper thus taken and return it to its owners or keep it until maturity and collect it, thus acting both as keeper or bailee and collector.

The clearing houses would have no other resources than those derived from the banks, would not, therefore, come into competition with them, but would be simply servants, supplementing the work of the banks and doing their bidding. There would be no compulsory feature and no clashing of interests.

As every bank in this system would deposit for collection its checks with the branch clearing house to which it belonged, many of these checks would go to another branch clearing house of which the paying banks were members. Balances would thus accrue between the branches which could be discharged by the payment of ready money or by making additional clearings among themselves. Thus, if the clearing house in New York owed the Chicago clearing house, while it in turn owed the clearing house in St. Louis the balance might be sent to St. Louis or to some other quarter, as it might direct. Consequently the indebtedness between them might be discharged by the payment of only a small sum of money; in other words, the clearing houses might make settlements between the branches somewhat after the present mode of clearing banks.

How Emergency Notes Should be Issued.

Another function that the clearing house might perform is to furnish an emergency currency to its members on the pledge of their securities, in the same way that the clearing houses now on some occasions have furnished clearing house certificates to their members. For the payment of notes, the borrowing bank should be primarily liable, the clearing house branch secondarily, the clearing house as an association should next be responsible, and finally the Government.

When unusual demands were made on banks for loans or deposits these notes should be used, and would, in our judgment, be quite sufficient to supply such emergencies. If the clearing houses were authorized to issue two or three hundred millions, this amount, it is believed, would prove an ample supply. For, we should remember, they are not needed to redeem or pay deposits, but simply to furnish an additional circulating medium.

It should be remembered that many of these unusual demands have been heightened through fear that money could not be obtained for ordinary use, to discharge pay rolls, bills coming due and the like, and this fear has led to the withdrawal of deposits and hoarding them. This is a familiar experience in the banking world. From time to time much of this has been done, simply through fear that otherwise the money could not be obtained when needed. Provide a way for obtaining it and these hoarding panics would come to an end.

Should such notes be taxed? I do not think they should in the beginning; but if a bank continued to circulate them after the exigency which called for their issue had passed, then they should be taxed high enough to ensure their return. Perhaps the time for imposing the tax might be left to the government of the clearing house, or if this were deemed too much discretion to leave with that body, it should be fixed by law or by-laws of the clearing houses.

Besides this emergency currency, I still believe there is some virtue in the Aldrich-Vreeland plan and that it ought to be retained for extraordinary occasions. Its continuance would give steadiness to the system. The law might be amended and rendered more workable, but with the authority and security of the Government behind its issues, a way is provided for meeting all occasions.

Consolidation of Banks.

While the creation of such a currency should be authorized, some other changes of a deeper and more permanent character may be noted. The first of these is a consolidation of banks. By such action their resources would become more effective. It is true that the clearing houses partly accomplish the same results, but only partly. If the balances due creditor banks could always be borrowed by the debtor banks, then they would accomplish the result more perfectly; but danger also lurks in such a practice; for a bank, were the practice established, might continue to overlend and draw away the resources of others; in other words, might expand its resources and business at the expense of its neighbors. In some places, bank balances are lent, but the practice has never become general. While, therefore, the clearing house is an effective agency for creating a feeling of solidarity or unity among its members, yet they still have strong separate interests, so that a current is perpetually running against each other. They are competitors for business and each suffers in some ways in consequence. Consolidation, of course, overcomes all. In other words, the true goal should be to create the community bank.

The creation of regional banks is not a true step in this direction. So far as they can supplement and serve the other banks they will work in harmony with them; so far as their interests diverge, ill feeling will be engendered. The taking away of a portion of a local bank's deposits to feed a regional bank will not be welcomed by the losers. No hen desirous of having chickens desires the robbery of her eggs. Thus at the outset, opposition, not good will, will be fostered by the creation of institutions whose prosperity rests on clipping the wings of its members. It is true that the local banks will desire the success of the regional banks, because, perforce, a portion of their resources have been taken away and confided to these institutions. Nevertheless their interest in their own local banks will be much stronger, and so they will pull away instead of toward the regional banks. Compulsory support is not likely to be effective. The plan will not promote unity. The local banks having been forced to part with a portion of their resources, will seek to recover them by discounts or other ways as quickly and as fully as possible. The plan, therefore, will not tend to promote good feeling and co-operation, but will result in an attempt on the part of every member to make the most it can out of this forced union with central or regional bank interests.

How All Great Banks Have Been Developed.

Another remark is worth putting in this place. No great National bank has ever been suddenly evoked, as is proposed by the pending bill. Every one of the great National banks of Europe has started from small beginnings and has developed with the needs of the country and with the growing ability of its managers. The plan now proposed is the most hastily considered ever proposed to any people. The Great Eastern steamship was a failure because the builders did not know in their day how to build a ship so much larger than any ever built before, nor did they wisely reckon on the cost of navigating her. To-day, shipbuilders are greatly exceeding her dimensions. Slowly these have been enlarged with the growing experience of builders. Every great and successful industrial plant has had a similar history. All the great banks have grown up in the same way. A National clearing house can be safely established because it is needed, desired and fits into our National

banking system. Its creation will not cause the rise of any antagonistic interest. To authorize it to lend for banks their balances whenever they desire is a natural and easy step and will cause no clashing anywhere. To endow the clearing house with authority to issue emergency currency is only to authorize that institution to do what local clearing houses have on many occasions done for their members. The method of doing this is therefore understood and can easily be put into practice.

The foundation is thus securely laid for a great central institution which may be still further developed should the exigencies of business require. If, besides its power to make and lend collections and issue notes, it becomes desirable to endow the institution with larger resources, there will be time enough for the consideration of the question, how much ought to be supplied and what ought to be the form of contribution—whether by the banks or by individuals. If it is desirable to have greater uniformity in the rate of discount, such an institution would be quite competent to deal effectively with the matter. All these matters, however, are too large to be settled in a day without great peril, but if time and the best experience be given to them, a wise solution for them can be found.

Conversion of the Legal Reserve into Interest-bearing Notes.

Before closing I wish to consider one other aspect of this subject, the form of keeping the required legal reserve. Instead of requiring a bank to keep its legal reserves in gold or Government notes, it is suggested that notes be issued for all, or a portion at least, of its reserve, like the seven-thirty hundred-dollar notes issued during the first year of the Civil War. Banks in those days retained these notes as an investment or circulated them like other demand notes. If circulated, the interest was easily ascertained—two cents a day. Suppose the Government should authorize the banks to convert their two per cent. bonds into notes bearing, say, three-sixty-five per cent. interest, or one cent a day on a hundred-dollar note. The banks would not be so unwilling to keep a reserve as some of them have been ever since the creation of the National bank system, for their reserve would no longer be dead money, locked up in their vaults, but interest-bearing, like its resources in actual circulation. Furthermore, if a bank wished to deposit its bonds with the Government and take out notes bearing no interest, it ought to be given this privilege. I have merely hinted at what might be done in the way of maintaining the legally required reserve at no additional cost to anyone, but to the great advantage of the National banks. There are many details connected with the substitution of securities serving the double purpose of an investment and a currency, but it is believed that these details could be worked out and perfected to the obvious advantage of the banks, their owners and the people.

Mr. Glass, however, declared that a great merit of his plan is that the reserves will no longer be sent to New York to feed the disastrous fires of speculation, but henceforth will be employed in better ways. The same thing can be accomplished, if desired, by a slight amendment to the National banking law. Cut down the reserves of banks to the amounts they are actually required to keep at home, and the thing is done. The portion sent away is not a real actual reserve, for, if it were, no bank would want to receive the money. Why, then, attempt to keep it anywhere?

Look at a few figures. Suppose a country bank must keep a legal reserve of $75,000. Two-fifths, or $30,000, must be kept at home. The other three-fifths, or $45,000, may be kept with a bank in New York. That bank must keep twenty-five per cent. of it, or $11,250; it may, and does, lend the remainder, $33,750. That sum, therefore, is no real actual reserve, but merely a recorded, an imaginary one. Suppose that the country bank was required to keep at home, say, $41,250, and was free to lend the remainder of the $75,000 on the same terms as other money it loaned; would not the bank derive more profit than is now derived from the present system? If you were to add to this profit that derived from the legally required reserve in notes bearing interest, as above explained, its profit, of course, would be much larger.

With this amendment and those previously suggested, every possible advantage from the Glass plan would be covered without the creation of his elaborate system of banks with their attendant political party dangers, and the injection of the slow, inefficient, and wasteful methods which mark so generally the transaction of almost every kind of public business.

DIFFICULTIES OF THE INCOME TAX.

By Edward Ingle, Managing Editor of the "Manufacturers' Record"—Address Before Baltimore Chapter of the American Institute of Banking.

DIFFICULTIES in the income tax law as affecting individual incomes spring from:

(1) Limitation of net income subject to the tax to an amount in excess of $3,000, in the case of a single person, or $4,000 in the case of a married person.

(2) Application of the principle of withholding the tax at the source of the income wherever possible.

(3) Failure to discriminate among personal taxable incomes from investment of physical or mental capital, or of both, from investment of money alone, passive capital, and from investment of active capital of money and mind, or of money, mind and muscle in combination.

(4) Imposition of a graduated supertax, or additional tax, upon the portion of net income in excess of $20,000.

(5) Linking with the personal income tax a tax essentially the same as one that was inaugurated four years ago and called, in order to avoid technically the constitutional prohibition, an excise tax, but based upon the net income of corporations.

(6) Framing the measure with scant regard for possible constitutional drawbacks, for fundamental principles of law, for the meaning and value of words and for the rules of English syntax.

Each of these difficulties embraces its own perplexities; in the provisions for withholding at the source are complicated phases of all the other difficulties.

The broad idea in withholding at the source is that any person or corporation paying to any person subject to the income tax fixed or determinable annual or other periodical gains, profits or income in amount in excess of $3,000 must withhold for payment to the Government one per cent. of the payment. Deduction and withholding at the source of the tax on interest from bonds and mortgages and similar obligations of corporations, joint-stock companies or associations and insurance companies is a radical departure from the rule. In the case of interest of this kind the tax is to be withheld whether the interest is $20 or $20,000.

There is a general exception. In neither case is the tax amount to be withheld from any payment upon which the payee shall claim his exemption of $3,000, provided the amount does not exceed $3,000. Where the amount is greater than $3,000 and exemption is claimed the tax shall be withheld from the sum in excess of $3,000. A claim for only one specific exemption is allowed. For simplicity, the case of $3,000 exemption is considered throughout this article. Exceptions as to certain official salaries and interest on Federal, State and municipal securities are not considered.

Theoretically, the principle seems plain and practicable. But imagine several situations in practice, remembering that of the 425,000 estimated taxable incomes, 300,000, or 70 per cent., are incomes less than $10,000.

A may receive from a dozen different sources, none of them paying him as much as $3,000, an aggregate income netting $12,000. If none of the payments

is in the form of interest on bonds, etc., no source will be concerned about the matter. It will be for A alone to deal with the internal revenue collector, to make his return of gross receipts, his statement of deductions allowed in determining his net income, if he is sure of his deductions, and has claim for $3,000 exemption, and to pay direct his tax of $90.

B may have an income of only $1,200 derived in the shape of interest upon bonds of thirty corporations. To enjoy his full income, although he is exempt from the tax, he must certify to each of the corporations twice a year that his income is less than $3,000, and each of the corporations must file the certificate or make affidavit as to its possession to the local collector of internal revenue.

C may have a net income of $4,000, of which $2,500 represents salary and $1,500 represents interest on bonds. He is liable for tax on $1,000 only. To enjoy his exemption he must claim it when tendering his coupons for payment. His exemption certificates must accompany at least two-thirds of his coupons. Which two-thirds? For he does not become subject to the tax on the $1,000 until he has received $3,000 in salary and interest.

D may have an expected income limited to interest on bonds amounting to $3,400. His bonds are subject as property to a local tax of $420. Therefore, his net income is not taxable. Unless he holds all his coupons until all have matured and then pays his taxes, he is not in a position to certify that his interest is not taxable income. In the course of the calendar year he may come into additional income, bringing his total net income within the taxable class. He will be compelled to reveal that to the collector. If, in the meantime and in perfect good faith, the certificate of exemption based upon a belief that the net income would be confined to the interest on the bonds had been filed and the certificate comes to the collector, D will be likely to have trouble and also the debtor corporation.

The last is an extreme case. It is cited merely to suggest the snares for the honest man in a measure bulging with traps for the supposedly dishonest one, a reversal of the legal doctrine that a man is held to be innocent until his guilt has been proved.

A Valuable Object Lesson.

That many millions of dollars of interest on bonds fell due on the day the provision for withholding at the source became effective was a valuable coincidence. It was a means of emphasizing the annoying details of the process, the vast labor in the aggregate of the mental or actual bookkeeping entailed upon the bondholder, as onerous for the man or woman owning one bond as for another owning thousands; the added work for banking institutions undertaking to handle the coupons and for the debtor corporations, and the problems before the Commissioner of Internal Revenue at Washington and the collectors throughout the country. It may be safely predicted that it will shortly be discovered that the $800,000 appropriated for the current fiscal year to meet the expenses of collecting the tax will hardly be a starter for the funds that will be required. Probably 500,000 income tax accounts must be kept in Washington, with duplications and triplications in many instances in different parts of the country. There must be some center for the assembling of the returns and certificates from divers quarters, to enable the commissioner to make the 500,000 assessments. The law provides that a collector of internal revenue may object to the return made by anyone. He will not be in a position to do so safely except he have all the data possible. That seems to indicate that he must be one of the centers of assembling, with the Revenue Office at Washington as a sort of income tax clearing house. It is impossible to estimate offhand the expense of such assembling and clearing.

Like expense proportioned to the individual case will fall upon the payers of the incomes, upon the receivers of taxable incomes and upon others who, while their incomes may not be taxable, will be subject to a demand from the internal revenue office that they prove exemption.

Question of Guaranty.

Payment at the source under the income tax law takes no cognizance of any guaranty in a bond or other contract that the interest or other promised payment shall be received by the creditor free of any tax that may be levied save in the provision that in case the debtor does not withhold the amount of the tax from interest on bonds but itself pays the tax to the Government, the amount thus paid as tax shall not be allowed among the deductions in computing the net income of the corporation. A number of corporations have been reported as determined to live up to either the letter or the spirit of their contract as to tax-freedom, either by paying to the creditor the full face value of the coupon, if taxable, and then paying the tax to the Government, or by withholding the tax and paying it to the Government and then making an additional payment to the creditor equal to the amount withheld for tax, so as to assure him the full interest.

In the first instance, the letter of the income tax law will be violated, in that the tax has not been withheld from the income, and it is possible that a collector of internal revenue might, for his own protection, contest the statement in the return of the income from the bond claiming exemption on the ground that the tax has been paid without withholding; in the second, acknowledgment will be made that Congress can pass a law impairing the obligation of a contract, and if in one case, then in any other particular.

If such power has been vindicated unequivocally by a judicial decision, it is time for the court to review its action and to readjust its mind to the generally accepted doctrine, the foundation stone of every government save one of brute force.

That exceedingly dangerous suggestion in this taxing theory affects every other contract, whether formal or tacit, to pay salaries, commissions, royalties, notes, interest, rents, etc., where the amount involved is in excess of $3,000. A ruling of the Treasury Department announced last week is to the effect that if A gives B, who claims no exemption under the law, a note in payment of interest, rent or other income in excess of $3,000, and B has the note discounted, nothing being said about the nature of the note, A will not be permitted to pay the bank the face value of the note, but must withhold a sum equal to the income tax on it; that if the note carries with it a contract to pay without withholding for any income tax that might be imposed by the Government, A must pay the tax to the Government and pay the note to the bank in full, but that if there is no such contract, the bank, if it desires to reimburse itself for the amount of tax withheld from the payment of the note by A, can look only to B, for whom the note was discounted. That ruling hardly squares with accepted convictions about the character of a note. If it shall be sustained by the courts, as seems impossible to believe, dealing in such paper will cease to be an especially desirable function of banking.

Some of the framers of the income tax law acted as though they believed that the ratification of the sixteenth amendment had wiped out the rest of the Constitution. This ruling of the Treasury Department reveals an inclination, only subconscious, perhaps, to hold the new law above other law, however sound and however untouched specifically by new legislation or judicial decision.

Risk in Rents.

In the larger cities of the country are many single annual rents amounting to more than $3,000. In the absence of a certificate claim for exemption, which can be made only once by a person having several sums and more than $3,000 coming in to him annually, the tenant must pay the owner of the property, not $3,000, but $2,970, and keep the withheld tax for at least six months before turning it over to the collector of internal revenue. What will happen in the event of the tenant's moving at the termination of the annual lease, with two months to pass before he must make a return showing that he has withheld the tax or of his going into bankruptcy or dying

before the payment of the tax is due? Will the missing tax be chargeable to the owner of the property, or will it fall upon the Government?

At any rate, withholding at the source probably means indefinite prolongation of actions for refunds of taxes paid in error or the actual loss of money because of disinclination to seek redress requiring the unreeling of vast stretches of red tape.

It certainly means a tying-up somewhere for six months or a longer period of several hundred thousand sums of money amounting in the aggregate to millions of dollars that cannot fail to have an unfortunate effect upon business affairs generally.

Confusing Capital and Income.

More than once while the measure was under consideration, especially in the Senate, the criticism was made that it confused capital and income. Subject in all cases to a judicial decision, it is an easy matter to decide that the wages, salaries, commissions, profit shares, fees, etc., paid for personal service constitute income. It is equally easy to decide that for a man in business his income is broadly the difference between what he takes in and what he pays out in the regular course of his business. There is no difficulty in deciding that the money received in dividends on stocks or in interest on bonds is the income of a man who is engaged in no gainful business, but is able to live upon the investment of fruits of his own labor or the labor of an ancestor.

But the income tax law, in allowing certain deductions in the computation of net income, confuses all three classes of persons liable for the tax. The deductions are, briefly stated:

(1) Necessary expenses actually paid in carrying on any business.

(2) Interest paid within the year on indebtedness.

(3) National, State and municipal taxes paid.

(4) Losses sustained, "incurred in trade or arising from fires, storms or shipwreck, not compensated for by insurance or otherwise."

(5) Debts charged off within the year.

(6) Reasonable allowance for depreciation of property in business.

(7) Stock dividends of corporations, etc., taxed upon their net earnings.

(8) Amount of income the tax upon which has been withheld at its source.

Four of these deductions, numbers 2, 3, 7 and 8, obviously apply to all classes of personal incomes; two of them, numbers 1 and 6, only to incomes derived from business. Number 4 certainly applies to the income from business, but its phrasing is so crude that one cannot determine whether the clause, "incurred in trade or arising from fires, storms, etc.," is definitive of "losses sustained" or is an enlargement of the basis for deduction, from the gross both of personal and business incomes, or whether the words, "arising from fires, storms, etc.," are to be limited to such losses in the course of trade only.

Debts and Losses.

Debts charged off during the year would be a loss. But are they a loss of income or a loss of capital? Corollary to the deduction on account of bad debts would be a provision that debts paid to the taxable person should be included in the computation of net income. Both propositions might pass as to men in some regular business requiring extended loans involving delayed collections or even covering active capital as represented in goods sold. But, for a man not in regular business, except on a salary or commission or profit-sharing basis, the lawyer, the doctor, the professional generally, or the one dependent solely upon income from securities of one kind and another, would not either proposition be an inclusion of capital in income?

Is it not the same situation as to losses sustained? To illustrate: A has investments in bonds amounting to $2,000,000, which yield him $100,000 annually. He is taxable on the net of that income. In a certain year he sells $100,000 worth of the bonds and invests the proceeds in a real estate venture which, before the close of the year, collapses and wipes out his whole $100,000 investment. He has actually lost $100,000, but he has also still continued to enjoy his income from $1,900,000 of bonds. Are the lost $100,000 to be considered as a deduction allowable in computing his net income? In that event he would be considered as having had no net income. Or, is the allowable deduction to be only the interest that he would have received upon the $100,000 capital, had he not changed the form of its investment?

On the other hand, suppose B sells a $100,000 interest in real estate and reinvests it in bonds, thus adding to bond investments already yielding him $10,000 a year. Will his income for that year be held to be $110,000 or $10,000 plus the interest from the $100,000 invested in the year? In each case has not the transaction been merely a switching about of capital?

That question was given considerable attention in the Senate, and there the contention was advanced that the Congress, while empowered to levy a tax upon an income, could not interpret the meaning of the word "income," but that the courts alone could determine what an income is. Indeed, about the longest debate on any one feature of the measure turned upon the first sub-paragraph of paragraph B, in which attempt is made to state, in dubious language, what a net income shall include.

Supertax and Dividends.

Upon the determination of net income hinges the graduated supertax, or additional tax, levied upon the net income in excess of $20,000, one per cent. upon the amount between $20,000 and $50,000; two per cent. between $50,000 and $75,000; three per cent. between $75,000 and $100,000; four per cent. between $100,000 and $250,000; five per cent. between $250,000 and $500,000, and six per cent. on all more than $500,000. This graduation was made as arbitrarily, apparently, as the estimate, varied from time to time, that the law would affect 425,000 incomes, which would produce in the first year $70,125,000 in revenue. Dividends, which are not reckoned for the normal tax upon personal incomes, are included for the supertax, although they have been taxed once in the levy of the normal tax upon corporations. Granting the justice of the supertax, there is an element of great injustice to persons, in that the inclusion of dividends in the net income of corporations paying the one per cent. normal corporation tax may really tax the income represented by dividends of an individual who, not having a net income of $3,000, is supposed to be exempt from tax.

Again, there are two possible ways of calculating the supertax, and one of them will mean a heavier tax than the other.

Through all the provisions of the law permeate the baffling obscurities that are encountered as soon as one begins to study the personal normal tax, and all rest under the shadow of doubt, in spite of strong contrary contentions, as to the constitutionality of more than one basic provision, such as that breaching contracts in withholding at the source and that seeking to give effect to the law from a date seven months earlier than the date of its passage. As introduced the law was to take effect from January 1, 1913, although the Congress had not authority to enact the law before February 27. Even when that fault was corrected, the provision remained in the law as effective from March 1, 1913, and up to August 28, when it was before the Senate for passage, it carried the physical impossibility of requiring withholding at the source of payments that had been made by the source and had passed from its control.

The first principles of legislation were outraged in embodying in the law language that is absolutely meaningless. There is in it confusion of thought in such a clause as, "If any person for the purpose of obtaining any allowance or reduction by virtue of a claim for such exemption" (the $3,000), and in the use of the word "deduction," as meaning "omit" in one place, "taking away" in another and anything or nothing in another.

Intelligence is defied to solve the verbal riddles in these two specimen bits of construction:

"Setting forth specifically the gross amount of income from all separate sources and from the total thereof, deducting the aggregate items or expenses and allowance herein authorized."

"Whenever the tax upon the income of a person is required to be withheld and paid at the source as hereinafter required, if such annual income does not exceed the sum of $3,000 or is not fixed or certain, or is indefinite, or irregular as to amount or time of accrual, the same shall not be deducted in the personal return of such person."

However fantastically original the parts of speech employed as conveyors of the thought in the law, however enthusiastic the effort to engraft upon our tax system features of law or practice prevailing in countries which have not the safeguards of our written Constitution, it is impossible to escape the conviction that the framework of the measure is a union of the corporation "excise" law of 1909 and the remarkable piece of legislative legerdemain which actually passed the House of Representatives in the second session of the Sixty-second Congress, styled "An act to extend the special excise tax now levied with respect to doing business by corporations, to persons, etc."

The spirit of that union pervades the new law. It is responsible for its glaring faults and difficulties. First essays to enforce it indicate that only through judicial interpretation can many of its provisions be squared with justice and common sense, and that its basic principle, withholding at the source, may be found to be null in effect because it transgresses in important details constitutional prohibitions.

To Solve Difficulties.

Litigation costly to Government as well as to individuals, the expense of time or money imposed upon persons not even taxable, and the possible veto of the law by the courts may be avoided by substituting for withholding of the tax at the source the principle of information by the source of taxable payments made.

Withholding at the source was designed to subserve two main purposes, viz., to supply the Government with checks upon possible attempts to evade the tax, and to assure positively the receipt by the Government of a large part of the tax. It is believed that the expense of administering the intricate provisions as to withholding at the source will equal, if it does not exceed, the amount of loss to the Government through evasion that might happen without the provisions. Certainly, information at the source would relieve everybody concerned of an enormous expense in the aggregate, and at the same time would meet the primary purpose, the making evasion difficult.

Less than sixty-five hours were occupied in discussion of the measure in the open forum of the House and Senate. The desired change could be effected by amendment by the present Congress within a week or ten days and before other complexities are created by the efforts of the Treasury Department to deal with impracticabilities.

With that accomplished, and with minor changes made to correct unmistakable faults of diction and construction, people would be saved from many hardships and the Government from much unnecessary expense. But one should not expect further progress at present toward the ideal income tax law.

A Block to Real Reform.

It was frankly acknowledged by a leader in the House of Representatives that, if the tax were to be levied upon every income, the first visit of the tax collector would be followed by a repeal of the law—a euphonious way of saying that the men responsible for the law would be retired to private life. That means that the votes represented by 500,000 incomes, the number thought to be covered by the law, count for far less than the votes represented by 20,000,000 incomes exempt from the law and by several other thousand non-incomes. The exemption of $3,000 is a response, naturally finding expression in politics, to a deeply seated feeling, by no means unjustified entirely, that opportunities for individuals to get beyond the stage where income is not greater than outgo have been narrowed, while the burden of general taxation has been most keenly felt by men least able to bear it.

But the evil lies in seeking a remedy by matching one inequity with another. It obscures one of the greatest curses of the taxation system, the enormous waste of money raised by taxation, ofttimes in expenditures calculated to win and hold the political favor of elements having little stake in government save as government can relieve them of initiative. That is a species of natural reaction against the practice of the few unfortunate abnormals who have taken undue advantage of their fellows by misusing Government to their own ends. Moreover, it cultivates the spirit of antagonism between the man who has little or nothing and him who has something or more, a spirit dwarfing the inclination of most civilized men to be considerate of one another.

Because of its appeal to class instinct this phase of the income tax is an obstacle in the way of amending it into one that might be a model of equity and a dynamo of action against the facts that lead Government constantly to cast about for new sources of revenue.

THE PROBLEM OF COLLECTING TRANSIT ITEMS.

By Rodney Dean, of the Fifth Avenue Bank of New York—Paper Read before New York Chapter of the American Institute of Banking.

MOST people know that 95 per cent. of the business of this country is being transacted through the means of checks, drafts and similar credits. Most people do not know the complications attendant upon converting these credits into money. The transit man knows only too well. It is his business.

The problem of collecting transit items has few rivals for intricacy and variation, and is one which we ourselves must solve unaided. Almost nowhere else is there a transit problem similar to that of the United States. In England, it is true, the extensive use of checks has given rise to a similar condition, but geographical limits prevent any such situation as that which confronts the bankers of this country. With this modified problem the bankers of the United Kingdom have compromised much as have we. On the Continent the check is little used and the transit problem does not exist to any considerable extent. The question is, what is the problem, what are we doing about it, and what are we going to do about it?

The whole transit problem is, briefly, to collect the check as quickly and cheaply as possible. This may again be divided into two sub-problems: (1) To make the best of present conditions; (2) To improve those conditions.

Under the present system each bank is forced to work out its own transit salvation and make the best individual arrangements possible for the collection of its out-of-town checks. To aid in this work it selects a certain number of correspondents in other cities and States, to which it forwards the items drawn on those localities. This selection is one of the tests of the able transit man. The strength of the institution determined upon must be investigated and proven, not once only, but periodically. A matter to be decided through experience is whether to select a number of different correspondents in one district, or to send all items through one central correspondent. The rule generally followed is that in the territory surrounding the bank, from which a comparatively large number of checks are received and the mailing time is only one or two days, a number of correspondents will be used, while in localities hundreds of miles away a central correspondent will collect all items for one State, or even several. The reason for this is that if one bank were used as the collection agent for all the items in localities near at hand a day's mailing time would be lost and the time of collection practically doubled.

On the other hand, the investigation referred to above becomes more difficult in proportion to the distance from the home bank of the institution under consideration, and it is safer to choose one well-known correspondent for the far locality.

Besides the financial stability of the institution and the expediency of its remittances, the charge made for its services must also be considered in making a final selection, and the matter of the interest paid and received on balances is an additional complicating factor. All these must be so co-ordinated as to make the terms the most profitable possible—that is, as far as the "party of the second part" will permit. "Maximum balances with a minimum of exchange" is the transit man's watchword.

When this selection is accomplished, however, the problem is only partially solved. Every "foreign" check necessitates a separate decision as to what shall be its first stopping place on the journey toward ultimate redemption. This phase of transit work is known as "routing." Although a problem, it is not the main problem of the transit expert. Collection routes, of course, should be made as direct as possible, and this the best banks try to do.

Most institutions, however, have tried to use the transit item as a source of revenue. This is what has made the present system of collection so involved. Slow, wasteful, antiquated it has been called, and from the nature of things must always be. But its vicious features are due almost entirely to the prevalent practice of regarding a check as something out of which as much profit as possible is to be made. No particular bank or group of banks can be singled out as the prime offender in this; all are guilty alike to a greater or less degree. The result is that a check, after being man-handled by a series of banks, reaches its destination usually with an avoidable loss of several days, and often after directly retracing its route. The need for reform is glaringly obvious when, under the present system, New York City, for instance, is used as the collection agent alike by an Albany bank for Boston items, and by a Buffalo bank for all its New York State items. Such methods as these, although the quintessence of indirectness, are not uncommon.

We have, then, reviewed briefly the work of the transit man under conditions as they are in general. Let us now consider the methods adopted by several different localities to expedite the collection of their out-of-town checks.

Strange to say, it was in conservative New England that the first attempt was made to ameliorate the conditions, rapidly growing more and more irksome, which surrounded the collection by Boston banks of checks on neighboring States. The scheme finally adopted in 1899-1900 was that of a clearing house foreign department—a country clearing house—which should clear such checks. Each bank, instead of mailing individual letters daily to its suburban correspondents, "lumped" its country checks and sent them to the clearing house, where they were re-sorted and sent by the clearing house to the banks on which they were drawn. Settlement was made through the regular clearing house in two days, the time required for collection.

This plan worked out so well that when, five years later, Kansas City and its surrounding district found itself in the same predicament, another country clearing house was instituted. Although conditions differed in the two localities, the underlying difficulties were essentially the same. The Kansans found that country bankers, although they could not be forced into the association, soon entered voluntarily if approached tactfully enough; and the scheme was again a pronounced success.

The Kansas City Country Clearing House does not interfere with the arrangements of the individual banks, where these are more profitable—it merely offers its members the additional facilities which it affords. As it charges a uniform exchange rate of 1/10 of 1 per cent., which had previously averaged 25 to 30 cents per $100, it can be seen that there are few cases where it does not pay to make use of the clearing house. Its manager recently stated that it had effected a saving of over 50 per cent. in the gross expense of handling transit items in its territory, and reduced the time required for collection about 25 per cent. Its operating expenses are pro-rated monthly on the basis of the amount of business transacted by each bank.

New York City, although the financial center of the country, for many years made no attempt to better its transit methods. Within the last few months, however, perhaps aroused by the charges made by the Pujo Committee of excessive profits in collections, the New York banks have agreed to accept at par checks on certain points in neighboring States, provided that the banks of those points will in turn agree to remit at par immediately upon receipt of the items. This proposition, although recognized as a "step in the right direction," is not fair enough to the out-of-town banks, many of which do not feel inclined to go to the extra expense and labor entailed in remitting to so many New York banks daily. They feel that New York should be willing to do its part by organizing a foreign department of its Clearing House, similar to Boston's and Kansas City's, to which they could remit by a single letter. In fact, the present plan will probably prove as irksome to the New York banks as to the others, and hasten the formation of such a clearing house.

As long as these country clearing houses, and others like them, notably that of Atlanta, have been in operation, far-sighted bankers have cherished the plan of a system of sectional clearing houses, with a National clearing house to clear between the sections. This idea was admirably developed in a recent magazine article by Mr. Oscar Newfang, of the Citizens' Central National Bank of New York. By his system checks drawn on banks in the same section as the collecting bank would be cleared entirely through the sectional clearing house, much as the country checks are cleared in Boston and Kansas City. Mr. Newfang's plan, however, had the additional advantage of providing for settlements as soon as the item reached its home bank, "funds being kept on deposit by the clearing house of each city with its sectional clearing house to meet debit balances and receive credit balances." Not only would the time of transit thus be theoretically halved, but actually the "saving of time would be very much greater, owing to the frequent rehandling of items under the present system."

The National Clearing House feature would provide for the collection of checks deposited in one section and payable in another. Mr. Newfang suggests that each sectional clearing house receive, each day, lists of outgoing exchanges from all cities in its section, which items have been mailed directly to the cities upon which they are drawn. The sectional clearing house then "would list against each of the other sectional clearing houses the total of items drawn upon that section cleared by its own section, telegraphing the National clearing house the total charge of its section against each of the other sections. . . . Thus the National clearing house would daily receive fifteen telegrams, each giving the total charge of the sectional clearing house sending the message against each of the other sections." Settlement in the case of the National clearings would also be made "upon the dates when the items would arrive in the section upon which they were drawn."

Although such a plan, which would result in so much saving of time and expense, has long been advocated by a few sagacious bankers, it is a question just how quickly it would be adopted by the banks of the country if left to themselves. However, it may not be left to them to decide. Among the other more or less valuable provisions of the Owen-Glass Federal Reserve Act, before Congress at this writing, there is a paragraph which states that "it shall be the duty of every Federal Reserve Bank to receive on deposit, at par and without charge for exchange or collection, checks and drafts drawn upon any of its depositors, or by any of its depositors upon any other depositor, and checks and drafts drawn by any depositor in any other Federal Reserve Bank upon funds to the credit of said depositor in said reserve bank last mentioned. The Federal Reserve Board shall make and promulgate from time to time regu-

lations governing the transfer of funds at par among Federal Reserve Banks, and may, at its discretion, exercise the functions of a clearing house for such Federal Reserve Banks, and may also require each such bank to exercise the functions of a clearing house for its shareholding banks."

To the transit man this is the most important paragraph in the Act. It is designed to abolish exchange charges and make these Federal Reserve Banks the collection agents of the country—the "sectional clearing houses" of Mr. Newfang's plan. In the words of a prominent transit expert of New York City, "if operated as outlined, such evils as excessive collection charges, indirect routings, and delayed remittances will undoubtedly be eliminated."

The Federal Reserve Act, then, will thrust upon us, willy-nilly, a panacea for our present transit ills. Should it meet defeat, however, we can only hope for speedy relief by one means, too rarely seen in our financial history—prompt, united action on the part of all the banks of the country.

PRIVATE COMPANIES AND THEIR BANKERS.

By Ernest F. Leet, B.A., Barrister-at-Law—Lecture Delivered before the Institute of Bankers in Ireland.

THE formation of companies, both public and private, in ever-increasing numbers, is due to a kaleidoscopic variety of causes. First of all, it appears that there are from time to time many millions of pounds sterling lying practically idle in the United Kingdom, the owners of which are anxious to invest—safely, if they can, but at any rate to invest. Then there is no doubt that no investment attracts a certain class of intelligent capitalist so much as a first-class home industry into which he can put his money with some chance of keeping a watchful eye upon the actual conduct of affairs.

Then, again, though the commercial history of these countries contains the names of splendid partnership and family businesses handed down from father to son, from generation to generation, not all of the individuals who now inherit their greatness would have the confidence in the future of their own businesses which Dr. Johnson exhibited in regard to that of his friend Thrale the brewer. Students of Boswell's "Life" of the great lexicographer will remember Lord Lucan's description of what happened when, on Thrale's death in 1781, it became Johnson's duty, as one of the executors, to dispose of Thrale's brewery in the Borough, and how "Dr. Johnson bustled about, with an ink-horn and pen in his buttonhole, like an excise man; and on being asked what he really considered to be the value of the property which was to be disposed of, answered: 'We are not here to sell a parcel of boilers and vats but the potentiality of growing rich beyond the dreams of avarice.'" Thrale's old business sold for £135,000, was converted into a company in 1896, under the style of Barclay, Perkins & Co., Ltd., with a share and debenture capital of over four millions sterling.

Some of us are very sure of ourselves, but few so certain of the future as to be satisfied with having all our eggs in one basket. That is one reason why business people are anxious to convert concerns with unlimited into companies with limited liability. "By the common law of this country every member of an ordinary partnership is liable to the utmost farthing of his property for the debts and engagements of the firm."

Speaking of the onerous liability of each several member of a business firm, Lord Justice James said: "As between the partners and the outside world (whatever may be their private arrangements between themselves), each partner is the unlimited agent of every other in every matter connected with the partnership business or which he represents as partnership business, and not being in its nature beyond the scope of the partnership. A partner who may not have a farthing of capital left may take moneys or assets of the partnership to the value of millions, may bind the partnership by contracts to any amount, may give the partnership acceptances for any amount, and may even—as has been shown in many painful instances in this court—involve his innocent partners in unlimited amounts for frauds which he has craftily concealed from them."

Many other inducements to conversion exist impelling business men to take advantage of the privileges conferred by recent statutes on private companies. Before we go into these it will be well to consider what a private company is.

It was not until 1907 that the term private company received legal definition, though in fact the existence of private companies was recognized by law more than thirty years ago. And the expression "one-man companies" is familiar to everybody, and particularly to those members of this Institute who have heard or read the luminous lecture delivered by my predecessor, Mr. Day, before the Institute fourteen years ago, shortly after the now famous case of Broderigs v. Salomon came before the High Court of Justice in England.

At that time a "one-man company" was a company in which practically all the shares belonged to one man. For instance, where the capital was divided into 10,000 shares and 9,994 were held by one proprietor and the remaining six by his nominees.

The facts of that case, shortly stated, are as follows: Salomon, a wealthy leather merchant, was anxious to gain the advantages of limited liability offered by the Companies Act, so he turned his business into a private company. He divided the shares between himself, his wife, sons and daughter, he himself taking 20,000, and the others one each. He also got mortgage debentures for £10,000 as part of the price paid to him by the company for the business, and mortgaged these debentures to a Mr. Broderigs as security for a loan. The leather trade took a turn for the worse almost immediately after the formation of the company, and after twelve months the company got into difficulties, and Broderigs took proceedings to raise his mortgage on the debentures, and soon after a winding-up order was made on a creditors' petition.

Mr. Justice Vaughan Williams, as judge of first instance, held that the company was a sham and a fraud on the Company Act, and therefore a mere alias of Salomon, whom he held bound to pay the creditors out of his own private pocket. The Court of Appeal in England upheld this view, but the House of Lords were unanimously of opinion that a one-man company was not an abuse of the Act, and that this particular company fulfilled all that the law required, which was that there should be seven members, each of whom should hold one share at least; that this was the condition and the only condition imposed by the statute.

Lord Herschell said: "It was said that in the present case the six shareholders other than the appellant were mere dummies, his nominees, and held shares in trust for him. I will assume that this was so. In my opinion it makes no difference. The statute forbids entry in the register of any trust, and it certainly contains no enactment that each of the seven persons subscribing the memorandum must be beneficially entitled to the share or shares for which he subscribes. . . . We have to interpret the law, not to make it, and it must be remembered that no one need trust a limited company unless he so please, and that before he does so he can ascertain, if he so please, what is the capital of the company and how it is held. . . . Many industrial and banking companies of the highest standing and credit have in recent years been, to use a common expression, 'converted' into joint stock companies, and often into what are called private companies, where the whole of the shares are held by the former partners. It appears to me that all these might be pronounced schemes to enable them 'to carry on business in the name of the company and with limited liability' in the very sense in which these words are used in the judgment of the Court of Appeal. The profits of the concern carried on by the company will go to the persons whose business it was before the transfer, and in the same proportions as before, the only difference being that the liability of those who take the profits

will no longer be unlimited. The very object of the creation of the company and the transfer to it of the business is that whereas the liability of the partners for debts incurred was without limit, the liability of the members for the debts incurred by the company shall be limited. . . . It is said that the respondent company is a 'one-man company,' and that in this respect it differs from such companies as those to which I have alluded; but it has often happened that a business transferred to a joint stock company has been the property of three or four persons only, and that the other subscribers of the memorandum have been clerks or other persons who possessed little or no interest in the concern. I am unable to see how it can be lawful for three or four or six to form a company for the purpose of employing their capital in trading with the benefit of limited liability, and not for one person to do so, provided in each case the requirements of the statute have been complied with, and the company has been validly constituted."

If the House of Lords had not taken this common sense and practical view of the then existing company law the formation of private companies would have come to an abrupt conclusion. And now, by the Companies (Consolidation) Act, 1908, the law in favor of small companies has been further relaxed, for under that Act, which is a marvel of codification, a private company need not have more than two members.

Section 121 of this Act defines what a private company must be to conform with the new law as follows:

> 121—(1) For the purposes of this Act the expression "private company" means a company which by its articles—
>
> (a) restricts the right to transfer its shares; and
>
> (b) limits the number of its members (exclusive of persons who are in the employment of the company) to fifty; and
>
> (c) prohibits any invitation to the public to subscribe for any shares or debentures [or debenture stock] of the company.
>
> (2) A private company may, subject to anything contained in the memorandum or articles of association of the company, by passing a special resolution, and by filing with the registrar such a statement in lieu of prospectus as the company, if a public company, would under the provisions of this Act (sec. 1) have had to file before allotting any of its shares or debentures, together with such a statutory declaration as the company, if a public company, would, under the provisions of section 6 of the Companies Act, 1900, have had to file before commencing business, turn itself into a public company.
>
> (3) Where two or more persons hold one or more shares in the company jointly, they shall for the purposes of this section be treated as a single member.

The statute also grants special facilities in regard to the formation of private companies. Public companies have to comply with a whole series of preliminary conditions before commencing business. Not so private companies. These are formed in the simplest way by delivering a memorandum to the registrar, signed by two persons, each of whom must subscribe for at least one share, and articles of association and the requisite fees. When all that is done the certificate of incorporation is issued, and the company can get to work at once.

Again, a private company need not publish balance sheets or file accounts with the Registrar of Companies, as public companies are bound to do. It must keep a public register of members and of mortgages, but its balance sheets and accounts, its profits and losses, its reserves, its assets, its debts and its liabilities other than mortgages, are altogether private, and so trade rivals and competitors cannot see how large or how small its profits are.

Nor does a business man who converts his business into a private company lose control over it. He can, on the contrary, be the sole governing director for life with the most ample powers of management, and even if there are other directors, he can provide by the articles that he shall have power to limit and restrict and if need be override their authority as he thinks fit, and to suspend or remove directors at his discretion. He can retain power to appoint successors to himself. He can provide that his own executors may appoint some one in his place as governing director.

And you should understand that the conduct of business by a private company is not at all a complicated affair. It is not necessary to use the company's seal except where a private person would have to execute a deed. The managing director or directors can enter into all ordinary contracts and give all usual orders in his or their own names per pro the company.

And a further advantage is that the shares can be kept in the owner's family or among his friends, or provision can be made that preference shares with fixed interest can be given to outsiders, and ordinary shares with unlimited interest given to the founder of the company and to those actively engaged in the business.

Again, the founder, even if he does not retain for himself the majority of shares, need not lose control at general meetings of the company. Without special provision the holders of the greater number of shares could outvote him; but the articles can provide that while the founder holds a specified number of shares, he shall have two votes per share as against one vote per share as conferred by the other shares.

I have only drawn out in the most sketchy way some of the benefits conferred by the Act, but the greatest of all is undoubtedly that the founder, if he takes payment in fully paid up shares, escapes all future liability for debt, and if he takes payment in partially paid up shares is protected pro tanto.

One other advantage is conferred by the company code upon private companies, and that is the increase of borrowing facilities. This is where the banker, more especially, comes in, and it is in explanation of these borrowing facilities that this lecture was principally written. All that I have already said is, so far as bankers are concerned, a mere introduction to the point where such companies and their bankers come into contact, though, of course, private companies as well as public companies have other relations with bankers besides those of borrower and lender. When, however, a private company has to borrow, or requires an overdraft—as the most solvent and wealthy private business man may—there is no comparison between the position of the individual and the company, or if there is any comparison it appears to me to be all in favor of the company.

The position is thus stated in Palmer's invaluable little book on "Private Companies":

> "The facilities which a company has for borrowing unquestionably constitute another of the inducements to the formation of private companies. These facilities far exceed those of an individual or firm, or even a limited partnership engaged in business. Such persons must, as a general rule, rely for accommodation on their bankers and friends, and they are by the Bills of Sale Act in effect prevented from giving what is called a floating security. Not so a company. It cannot only borrow in the same way as an ordinary individual, but it can raise money by the issue of debentures or debenture stock charged by way of floating security on its undertaking as a going concern; and this class of investment is one highly attractive to lenders, for it affords them a large measure of protection without hindrance to the carrying on and development of the business, and it is marketable and easily transferred. Further, by means of debentures and debenture stock, the company is enabled to open its doors indirectly to the great army of small investors. For although a private company may not invite the public to subscribe for its debentures or debenture stock, it can dispose of them privately, and the purchasers can, if they choose, re-sell to the public. It has been and is by no means uncommon for a business to be converted into a company solely for the purpose of placing

itself in a position to raise money by the issue of debentures or debenture stock."

On the formation of a private company two most important documents have to be prepared, printed and registered. These are the memorandum and the articles of association. The former is a statement of the name, object and amount of the capital of the company. The articles of association resemble partnership articles, and consist of a number of rules, agreed to by the members, for regulating the business of the company and dealing with a multiplicity of matters, chief among which, from the bankers' point of view, is the question of borrowing. Therefore, the banker who has dealings with such a company must carefully scrutinize these two documents, and consider among other things what powers the company's directors are given, for acts or contracts done or made by such directors in excess of the powers given by the articles are invalid, and cannot create a good security for overdrafts or advances.

Sir Francis Palmer deals with this question in the handbook I have already referred to, in the following way:

"In a private company it is not unusual to give an unlimited power of borrowing to the directors. Where this is not deemed desirable, however, they may be empowered to borrow any sum up to a maximum limit, say, £10,000. Occasionally they are only empowered to borrow with the consent of a general meeting, i. e., of the majority of the shareholders present in person or by proxy at a meeting. As supplementary to the power to borrow, a power to secure the amount raised by mortgage or charge on the company's property or otherwise will be conferred, for it may prove impossible to borrow without giving a charge on the property of the company.

"The ordinary and approved mode of securing money lent to a company is by the issue to the lender of a debenture. A debenture is an instrument under the seal of the company, whereby the company binds itself to pay to the lenders a sum of money on a certain day, with interest in the meantime. A debenture may be a mere money bond, or it may carry a charge. In the latter case it contains a statement that the said sum—the loan—will be a first charge on the property of the company, both present and future, and is called a mortgage debenture. It takes effect, that is, as an equitable mortgage. The favorite form is that known as a 'floating charge debenture.' It has the merit of leaving the company free to carry on its business and deal with its property in the ordinary course of business as if no charge existed until the security becomes imperilled or the company winds up. The number of debentures issued will be in proportion to the sum wanted. Thus it may be necessary to issue a number of debentures, i. e., 100, each for £50; in such case each debenture will state that 'this is one of a series of 100 like debentures, ranking pari passu as a first charge.'

"If a company makes default in payment of the interest or principal due under a debenture, the holder can bring an action for the amount due, and if it is a mortgage debenture, he can have the property of the company sold and applied in discharge of the amount due. Sometimes mortgage debentures are further secured by a mortgage to trustees. If it is determined to borrow money on debentures, it is usual in a private company to offer the debentures, like the fresh capital, to the shareholders in the first instance. If they decline to advance money the directors will seek it elsewhere."

Private companies can thus, if their articles of association are appropriately framed, give such securities to their bankers as the nature and extent of the property owned by them permits. And when a banker makes advances on such securities, whether mortgages or debentures, he will want to see if he is first in the field or whether the company has already incumbered its property. For this purpose Section 93 of the Act of 1908 makes full provision, enacting, to use Sir F. Palmer's words, "that every mortgage or charge created by a company after the 1st of July, 1908, and being either (a) a mortgage or charge for securing any issue of debentures or debenture stock; or (b) a mortgage or charge on uncalled capital; or (c) a mortgage or charge created or evidenced by an instrument which if executed by an individual would require registration as a bill of sale; or (d) a mortgage or charge on any land wherever situate or any interest therein; or (e) a floating charge on the undertaking or property of the company, shall, so far as any security on the company's property or undertaking is thereby conferred, be void against the liquidator and any creditor of the company unless the prescribed particulars of the mortgage or charge, together with the instrument (if any) creating or securing same, are delivered to the registrar for registration in manner required by the Act within twenty-one days after the date of its creation. For default in registration, the company and every director, manager, and other officer of the company who knowingly and wilfully authorized or permitted such default is to be liable to heavy penalties."

With this quotation I must conclude these remarks on the subject of private companies and their relations with bankers. None of you who have found the subject an interesting one should fail to study the subject further, for, at the present time, of the vast number of registered companies private companies comprise more than one-third, and every banker has many of them on his books.

SUPPORT THE CHAPTER.

By Walter B. Kramer, Secretary of the Institute.

AT our recent convention, held in Richmond, Va., I was asked by a number of delegates how Scranton Chapter was supported by our local banks, and what method, if any, was adopted to defray delegates' expenses to our conventions.

This is a subject worthy of some consideration, and one that was discussed at some length by the newly elected officers of the Institute. Each year the attendance at our conventions has increased, and the matter of sending delegates has become an important question to the chapters. We therefore feel that the time has come when some method should be adopted that would tend to keep up our present high standard of Institute work, and likewise the attendance at our conventions, by attracting the attention of clearing house associations and bankers generally all over the country. But the responsibility or the success of your efforts in gaining this support rests with every chapter man, and this success should only be measured by the "educational success" of your chapter. The American Institute of Banking presents a magnificent opportunity for all bank men who are seriously interested in the banking business. Luck is the minimum element in success. No one can hope to prosper as an individual or to be of much value to his institution unless he has mastered the principles of finance in all their details. The premium now is upon the well-trained man. Pull, favoritism or blood relationship count very little in a commercial system that is cruelly competitive and always carried on under high pressure. Only those who are willing to sacrifice their leisure hours and become experts in their own line can hope to forge ahead. As to the opportunities offered for advancement by pursuing the course of studies outlined by the American Institute of Banking, I have only to refer you to the many who have and are succeeding. It would seem as though I had drifted from my original subject, but I would hesitate to recommend your asking financial assistance from your clearing house association or your banks to defray your convention expenses unless you had succeeded in your chapter along educational lines. We feel in Scranton that we have reached that point when we can consistently ask for assistance, and this year every bank in our city contributed a sufficient amount of money to send our delegation to Richmond. Heretofore it was the practice for the bank from which a man was elected to represent the chapter to bear the entire expense, with the result that some banks were sending men every year. Under our present system of dividing the expense, we will have no difficulty in sending a full delegation to

each convention. As to the amount each bank contributes, we determined that by the size of the various banks; in no instance was more than $25 contributed by any one institution. Of course, this will naturally vary according to the length of your journey. But you will find that it will tend to increase your membership, because the men in small institutions who are active in chapter work will be placed upon the same level as those who work in larger banks, and will therefore have a greater interest in the Institute than merely listening to a delegate's report or reading convention proceedings in the BULLETIN. From any and every standpoint it is the part of wisdom for men to belong to a chapter that exists for free and full intercourse with one another. The members have everything to gain and nothing to lose; and their gain will probably be in proportion to the interest they show in chapter work. The president of Scranton Chapter wrote M. G. Murphy, Cashier of the Traders' National Bank of Scranton, requesting that he give his reasons why his bank contributed to the chapter's expenses. With his permission I furnish you a copy of his letter:

[COPY]

THE TRADERS' NATIONAL BANK.

Scranton, Pa., October 20, 1913.

Mr. N. S. Swisher,
Scranton, Pa.

My dear Mr. Swisher:

Replying to your inquiry of the 18th, as to what prompted this bank to contribute to the local chapter work of the A. I. B., we beg leave to state that we did so largely from selfish motives. It has been our experience that men in our employ who have taken up the chapter work, and especially the law course, have been much more valuable to our institution than our other men. We find that we have been involved in lawsuits from time to time which might have been avoided had the clerks and tellers handling the items known the law governing commercial instruments. Our Institute men have been particularly free from blunders of that character. As a general proposition, we find that men who have the ambition to take up the educational work, and the perseverance to see it through, have other qualities which render them valuable to our institution. We are, therefore, anxious to encourage the Institute work, not only because we like to see the young men progress and prosper, but because they render better service to our bank.

Very truly yours,
(Signed) M. G. Murphy, Cashier.

Mr. Murphy has always taken a keen interest in the Institute, as you can judge from his letter, but it would be just as easy to get a similar letter from any bank in the city.

We hope that every chapter in the Institute will take up Institute work in earnest and give every assistance possible to President Dreher and his officers. Let us make this a banner year and our next convention a banner convention in point of numbers and from an educational standpoint. You can do this by supporting your chapter.

THE VALUE OF INSTITUTE WORK.

By Francis B. Sears, of the National Shawmut Bank of Boston.

A NUMBER of the members of the American Institute of Banking who began their work with enthusiasm, perhaps are now asking the question of themselves or others, what has been gained by all this work? It is not easy to point to the definite results of any educational movement, as will be readily seen by looking back upon our school days and asking the same question. Education is one of several aids to a successful business or professional career. It is perhaps worth while to specify a few of the others. Agreeable manners, courtesy and kindliness to all persons play an important part in any business which, like banking, is largely dependent upon the good-will of the public. Promptness, the immediate dispatch of business at the earliest possible moment, makes work easier for the employer, the employee, and the customer. Accuracy averts annoyance and waste of time. It requires constant attention to and careful scrutiny of all work passing through one's hands. It is not sufficient to avoid mistakes oneself, but it is desirable to detect the errors of others. In verifying figures or statements one should never be satisfied until he has gone back to the original entry, the original letters or papers. The man who pays close attention to all these details, who makes the interest of his employer his own, who is constantly studying business questions and training himself to speak and write in a clear and compact form, is sure sooner or later to find his services in demand. He should use the facilities of the Institute and supplement them by careful and intelligent reading of the best authors, not only on business, but on other topics.

THANK YOU, SIR.

Chicago Banker.

OH, yes, the chapters A. I. B. soon will be members of the A. B. A. Then they will send delegates and they'll not be of the tourist or sight-seeing variety, either. Heretofore their only actual connection was through having, as a section, a representative on the council. Things are improving, when you think it over.

INSTITUTE CHAPTERGRAMS

Chaptergrams must be received by the Educational Director of the Institute not later than the 28th of the month preceding publication.

ALBANY.

By H. J. Hotaling.

ALBANY CHAPTER held its regular open meeting at the National Commercial Bank, Thursday evening, December 18th. Mr. George B. Wellington, of Troy, and former District Attorney of that city, addressed the meeting, taking for his subject "Currency Legislation," which he handled in a very thorough and capable manner, not going into technicalities, but using a common-sense view of the subject, pointing to the one great fact that all legislation must be along such lines as to establish confidence at all times.

ATLANTA.

By T. W. Townsend.

ATLANTA CHAPTER has gotten down—or up—to systematic educational work, and the result is more tangible results, including more substantial membership, better attendance at chapter meetings, and better standing among bank officers. George E. Allen, educational director of the American Institute of Banking, recently addressed the chapter in a very interesting and instructive talk. Mr. Allen, during his talk, gave many reasons why the young bank men should join and co-operate with the American Institute of Banking.

BIRMINGHAM.

By John F. Dwyer.

THE initial debate of the Birmingham Chapter, on a subject of nation-wide importance, was held at our general monthly meeting, December 18th. The debaters took as their subject "The Currency Bill"—"Resolved, That the Glass-Owen Bill, as amended to December 1st, will benefit a majority of the people." Affirmative, Messrs. Sterne, Hilty, and Gilley. Negative, Cross, Stevens, and Daly.

The many good and essential features of the bill were clearly brought out by the affirmative, which the negative endeavored, and in many instances failed, to contravert. The negative, on the other hand, scored several good points, some of which the affirmative was unable to disprove; but as a whole the affirmative clearly showed that the bill was a "bill for the people," and when finally enacted into law would be superior in every respect to our present inadequate system. A vote of the members present was taken, and the affirmative was declared "victor." This the first debate of the Birmingham Chapter was so well received that our officers feel highly gratified at the efforts and success of the debaters. From an educational standpoint there is nothing that can take the place of a debating class.

A special meeting of Birmingham Chapter was held December 6th to hear Educational Director Allen explain the Institute and its work. The attendance was large and attentive, and Mr. Allen's fearless and forceful presentation of the causes of success and failure in Institute work made a deep impression.

We want President Dreher to visit us during the winter.

BOSTON.

By Arthur O. Yeames.

LIKE all well-conducted corporations (the chapter has taken the preliminary steps toward incorporation under the laws of Massachusetts), the officers and Board of Governors of Boston Chapter took account of stock at the close of the half year's work just before the Christmas season. They met at dinner at the Boston City Club and in an informal manner discussed the work of the chapter. A general satisfaction was evident in the progress of the past few months and the outlook for the balance of the year.

The second half year of our educational program began on January 6th with the continuation of Professor Sprague's course in "Banking and Finance." On the 15th a new course in "Business Administration" was begun with a talk by Alfred L. Cutting on "Business Building." The graduates hold their forums under the leadership of Mr. Batchelder about twice each month and are continuing the informal meetings and discussions with manufacturers and other business men which have proved so interesting and valuable.

The January "Chapter Night" was press night, with the principal speaker the Hon. Samuel W. McCall.

Plans for our Annual Dinner, February 11th, are well under way and we intend to make this a banner affair. It is to be held at the American House and five hundred are to be provided for.

The membership list of Boston Chapter now numbers 813, a gain of 321 since the beginning of the chapter year in September.

BUFFALO.

By M. J. Kinney.

THIS is the time of the year when everyone desires to feel happy and it is especially gratifying to feel that success is attending our efforts in our daily work. For this reason I thought that you would be pleased to hear of the success which has attended this year's work of Buffalo Chapter. During the past three years the average attendance at our weekly classes was not more than eight or nine members. The total membership amounted to twenty-two. In this year's law class the average attendance has been about thirty, and every one of the boys is right in to get every bit that he can out of the work. At no class has the attendance been below twenty-five. That doesn't sound much like the old Buffalo Chapter, does it?

This success we attribute directly to the banquet of last spring, and when we speak of that banquet, it is simply a reference to the plain, straightforward talk on "The Institute."

CINCINNATI.

By A. DeWitt Shockley.

CINCINNATI CHAPTER held an interesting meeting Tuesday, December 16, 1913, in its class rooms, First National Bank building, in the form of a "General Quiz" on the Currency Bill. Charles W. Dupuis, one of our faithful members and Cashier of the Second National Bank, was in the chair and gave us considerable profitable data regarding this bill. There were not set speeches, each one present being permitted to talk on the subject, and as a result of so many different views and ideas publicly expressed, those present enjoyed a thoroughly instructive evening. All of our boys are more or less busy during the holiday season, and as a result we have postponed all further chapter doings until the New Year opens.

Our first meeting of 1914 will be a most important one, held on Friday evening, January 9th, with the Hon. Theodore E. Burton, U. S. Senator from Ohio,

as our speaker. Mr. Burton will address us on the Currency bill, and from his wide and thorough knowledge of the bill as proposed and as recently passed, will undoubtedly prove one of the most interesting speakers of the year's offering. We all look forward to this event with great pleasure and anticipation.

The Law Classes report continued progress under H. J. Mergler's instruction each Monday night in our class rooms.

CLEVELAND.

By H. H. McKee.

CLEVELAND CHAPTER has had two very interesting meetings since the last chaptergram was published. On November 25th, Carl H. Fast, of this city, delivered a very forceful address on the subject of "Wealth a Social Product." Mr. Fast had a breezy, entertaining style and presented a novel economic theory which he defended convincingly. His theory was that wealth consisted not in money, to a small extent in land, to a lesser in plant and equipment, but in the main consisted in the degree of control exercised over communities of working people. If conditions were such that an organization engaged in a certain line of production worked smoothly and efficiently, that is, if the control of the capitalist over a community of workmen employed by him is sufficient, this control creates wealth for him. When such a condition is impossible, plan, equipment, and market are of no value. He maintained that the present high cost of living was due to large amounts spent in advertising and the large profits made by the jobber or middleman which were ultimately paid by the consumer. His remedy for this state of affairs was concerted effort to cut down unnecessary advertising and to eliminate the middleman. At the close of his talk, Mr. Fast invited questions from his audience and there were several responses. He defended his position as stated with vigor.

At December 9th meeting the chapter had the pleasure of hearing an address by Charles W. Williams, Secretary of the Cleveland Federation of Charity and Philanthropy. Mr. Williams addressed the chapter upon the "Personal Relation in Business." This was a most excellent talk about business, upon which Mr. Williams looks from a different point of view, at the same time very shrewdly taking into consideration the viewpoint of the rest of us. He contended that the theories advanced by the professional advertiser, efficiency engineer, and business organizer, whose text is, "Get Attention," "Keep up Interest," "Deliver the Message with a Punch," were based upon an incorrect philosophy. He maintained that the real important feature in business getting and business keeping was mutual approval, or, better perhaps, mutual confidence; that this mutual confidence was established or disestablished by myriad personal contacts which were constantly being made between the business man and his possible patrons. He showed very clearly the great importance of making all these personal contacts with the purpose of promoting appreciation of both parties to the contact. To accomplish this successfully it is necessary to be able to take the point of view of the man in whom you are striving to inspire confidence. Mr. Williams created a favorable impression and his address was very warmly received by the chapter men present. At the close of his address there was a general discussion on the subject, "Factors of Efficiency in Bookkeeping," in which several members of the chapter took part.

The law class is progressing favorably under the direction of Mr. Van Cleve, and the class in debate, under charge of Clay Herrick, meets regularly and is securing good results.

DALLAS.

By W. J. Evans.

DALLAS CHAPTER starts the new year under most auspicious conditions. Spurred by the leadership of an aggressive and energetic coterie of officers, and inspired by the earnest manner in which the National administration is making preparations for holding in this city the greatest convention, in point of accomplishments, the organization has ever yet known, our men are giving a good account of themselves in the various phases of the educational work. This work is subdivided into four important parts, namely: The class in banking and finance, the class in commercial law, the monthly debates, and the banking forum. The three latter features are conducted by the members themselves, while the first is, of course, covered by the lectures of Professor Cockrell.

The subject of the December debate was, "Resolved, That all new accounts should be opened by an officer, rather than a receiving teller." Messrs. George L. Hern and John Jester were the leaders.

The next debate will discuss the question: "Resolved, That the technical dangers in handling collections are greater than those in other departments of a bank." The subject will be handled by Messrs. James Duncan, C. A. Strecker, Floyd Ikard, and Grady Burlew.

Dallas Chapter has recently added another star attraction to its long list of good things provided for its membership this season in securing the services of Prof. Spurgeon Bell, a noted lecturer connected with the Extension Department of the University of Texas, for a series of lectures on timely topics. Professor Bell's December lecture was a masterly discourse on the general subject of "The Operation of a Bank for Profit." He gave a thorough analysis of the basic principles of the banking business, from its organization to the last details of its successful maintenance and operation.

For the benefit of other chapters who are on the alert for auxiliary subjects for study and discussion, I give below, for its suggestive value, a complete synopsis of Professor Bell's first lecture in outline:

1. The Cost of Securing Deposits and the Income from their Use.
2. The Essential Basis of Bank Profits.
3. Interest on Deposits.
4. Operating Costs and their Relation to Bank Profits.
5. Bad Loans.
6. Interpretation of a Statement as a Basis for Credit.
7. What is a "Commercial Loan" and When is it Safe?
8. Income Bank Investments.
   (a) The Importance of Liquid Investments.
   (b) Rates of Interest on Loans and Secondary Reserves.
   (c) The Rise of Commercial Paper Brokers, and their Influence on Interest Rates.
   (d) Local Rates: Character of Local Competition.
   (e) Causes of Low Community Rate and its Bearing on the Profits of a Bank.

On January 18th Professor Bell will lecture on what will doubtless prove an extremely interesting subject. He will discuss the recent currency reform and its relation to bank profits and the general business situation. In this connection our men are just now taking more than ordinary interest in this topic on account of the campaign which is now being waged by several Southwestern States for the purpose of having Dallas designated as one of the regional reserve cities. Should the powers that be listen favorably to the geographical arguments that are being advanced on behalf of this city, we would be favored with a very gratifying and profitable opportunity to study the great new system at close range.

Our hustling President, M. B. Keith, paid a flying visit recently to some of the South Texas chapters, and returned much pleased with the renewed enthusiasm which has been kindled in that section.

DENVER.

By A. E. Ferguson.

THE study class of Denver Chapter is progressing nicely, having finished the book on Economics. Twenty-seven men, out of a total enrollment of thirty-four, took the examination on Thursday evening, December 11th. R. M. Crane, president of the local chapter, conducted the examination. Much confidence is felt in the outcome of the examination, owing to the thorough training and instruction given

the class by Prof. D. Shaw Duncan, of Denver University.

The class is now taking up the study of money and banking under the instruction of Prof. G. A. Warfield, Dean of Economics at Denver University and also at the School of Commerce. Although we have had but one lesson on this subject, much interest is manifested in the scientific study of money and the reason why a dollar will do more work at some times than at others.

Denver Chapter was signally honored by a visit from the President of the A. I. B., H. J. Dreher, on the 18th and 19th inst. A banquet was planned in his honor for the evening of the 19th at the Shirley Hotel, but owing to the severe snowstorm which "tied up" most of the car lines, only fifteen men of the chapter were able to get out, and they were very much disappointed in that Mr. Dreher had been taken suddenly ill and was unable to attend. After the banquet the members present went to Mr. Dreher's room and had a short visit with them. We were very sorry that his visit was cut short by the receipt of a telegram calling him home, as we had hoped that more of our members might have the pleasure of getting acquainted with our esteemed President.

"Ladies' Night," which is an annual affair with us, seems to have been a "hoodoo" this time, having had to be postponed for the second time on account of the unusually severe snowstorms we have had this month. At one of the regular monthly meetings each year the members are requested to bring their wives or sweethearts, and after the routine business has been finished, some form of entertainment is given, followed by refreshments. This has proven to be a very popular night, and we hope to be more successful at some date next month.

HARTFORD.

By Wilbur F. Lawson.

ALL records in attendance were broken at the December meeting of Hartford Chapter. Stuart H. Patterson, of New York City, the expert employed by the committee of New York Trust Companies for the interpretation of the Federal Income Tax Law, read a most interesting and instructive paper on this up-to-the-minute subject. A general discussion followed, which brought out many more points. The reception committee for the evening, consisting of E. W. Outtrim, Hartford National Bank; W. C. Bose, Connecticut Trust and Safe Deposit Co.; and R. A. Wilcox, State Bank and Trust Co., arranged for novel refreshments, including cider, doughnuts, and apples. H. H. Larkum, Treasurer of the American Industrial Bank and Trust Co., who is "some" elocutionist, entertained with a few humorous recitations. Hartford Chapter's own orchestra furnished music.

Owing to the Christmas and first of January rush, our educational work is at a standstill, but will be resumed January 8th with renewed vigor.

Hartford Chapter has fallen in line with the other progressive chapters of the Institute, and is now a member of the American Bankers Association, and will in the future be represented at their National convention by a delegate.

Many of our younger members are using their spare time reeling off yards of their bank's supply of adding-machine paper in preparation for the annual adding-machine contest, January 20th. The Burroughs Adding Machine Company have donated a handsome cup, to become the property of the first man to win two of our annual contests. In addition to this, Hartford Chapter has appropriated twenty dollars to be used as cash prizes.

JACKSONVILLE.

By J. E. Stephenson.

THURSDAY, December 4th, was a red-letter day for Jacksonville Chapter. On this occasion over two hundred officers and employees of the various banks in the city, with their guests, assembled in the grill room of the Windsor Hotel for the purpose of meeting George E. Allen, of New York City, Educational Director of the American Institute of Banking, and a most enjoyable evening was spent by all present.

The evening's entertainment commenced with a course dinner, for which novel menu leaflets had been prepared; and there was also music by an orchestra and selections by the Bankers' Quartet, composed of J. M. Quincy, Aleck Taylor, Howard Humphries, and L. F. Bennett. In the absence of the President of the chapter, Giles L. Wilson, Vice-President, presided at the banquet and acted as toastmaster, and in the course of his opening remarks he stated that the Jacksonville Clearing Association had voted to be sponsors for and to give this entertainment, which was evidence of their appreciation of the work done by the chapter. Henry G. Aird, Vice-President of the Guaranty Trust and Savings Bank, then gave a brief history of the development of Jacksonville Chapter up to date; and R. A. Yockey, who was one of the local delegates to the recent convention of the Institute held in Richmond, Va., told in a very comprehensive manner what had been accomplished at the convention.

The toastmaster then introduced the guest of honor, George E. Allen, who was received with great applause. Mr. Allen described the Institute courses of study in both law and banking, and made many helpful suggestions. In conclusion he stated that while the certificate issued by the Institute did not mean that each successful graduate would become a bank president, it would be evidence of the holder's ambition to improve himself, and of the fact that he was industrious and had acquired a knowledge of the banking business.

There were also addresses by C. S. Ucker, director of colonization of the Southern Settlement & Development Organization, and by Malcolm MacDowell, formerly Assistant Secretary of the Central Trust Company of Illinois, and now connected with the above organization. It was close to the midnight hour when Judge Daniel A. Simmons was called upon to make the final speech.

The meeting was a great success from every standpoint, which was largely due to the indefatigable efforts of the entertainment committee, and it is hoped that as a result the members will be thoroughly imbued with the "get together" spirit, as Jacksonville Chapter is very anxious to commence the New Year with a law class of at least forty or fifty members.

KNOXVILLE.

By E. I. Brown.

ON Tuesday, December 9th, Knoxville Chapter was honored by a visit of the Educational Director of the Institute. Mr. Allen made a most interesting talk, explaining the objects and the work of the Institute, and there are none who heard him who did not absorb some of his earnestness and enthusiasm. Knoxville Chapter records no event which produced so great a stimulus as did Mr. Allen's visit.

The banking class is progressing under the excellent leadership of Hugh L. Vance, our Institute graduate instructor. The classes are well attended and interest in the course is maintained.

We are proud to report that D. Carey Borden, who was our first president and largely responsible for the organization of this chapter, has been selected by the State Superintendent of Banks for the position of State Examiner. Mr. Borden has always taken a keen interest in Institute work, and we regret that his promotion will cause him to sever his active connection with this chapter. However, we feel honored that one of our members should be selected for so important a position, and, needless to say, he has our best wishes for success in his new duties.

LOUISVILLE.

By V. F. Kimbel.

"TAKING stock" at this time, the beginning of a new calendar year, and looking back over the work of the past year, especially those months since the summer vacation, beginning with the terms of our new officers and with the new course of

study, we can report that since our opening meeting, the second Thursday night in October, we have held meetings regularly each week, with the exception of two—Christmas and New Year's. Our membership has increased to fifty-three, with an average attendance, for this term, of thirty-two men at the lectures in the study course. In comparison with the membership of chapters in other cities the size of Louisville, our number certainly places us low in the list, but this is doubtless caused to a great extent by the failure on the part of a large number of bank officers of this city to fully understand the value of the organization and its purpose; but we believe they are beginning more and more to realize that those men who attend regularly and conscientiously try to learn from the lectures those things that will make them more valuable as members of the banking fraternity are doing their work better in their various banks.

The lectures by Mr. Lewis on the subjects of our study course are becoming even more interesting and instructive. His last lecture on the European banking system gave our men a clearer insight into the methods employed in those countries than a majority of those present had ever had before.

A. G. Stith, a member of our chapter and a delegate to the last Institute convention at Richmond, was recently elected Assistant Secretary of the Louisville Trust Company. Mr. Stith has proved to be an unusually capable man in his positions with the banks of this city and in mercantile pursuits, having been secretary of the Straight Creek Coal & Coke Company before entering the Louisville Trust Company, and he should prove, in his new capacity, even more valuable to his company.

In the speed contest on Burroughs adding machines, recently held at one of our social meetings, the first, second, and third prizes offered by the Burroughs Company for speed and accuracy were won by Eugene A. Converse, Thomas P. Dignan, and Herbert M. Scott, respectively. We hope to be able to report in the next issue the winners in the mental speed contest to be held this month.

MILWAUKEE.

By H. W. Roehr.

THAT Milwaukee still occupies a high place in Institute education is attested by the results announced by the judges of the essays submitted by post-graduate students. Out of twelve essays tendered, four were from Milwaukee. Out of the twelve two were accepted and two received honorable mention. The two accepted were written by H. J. Dreher and J. H. Daggett, both of Milwaukee. Of the two to receive honorable mention, one was that of Alexander Wall, of Milwaukee. Milwaukee feels highly complimented and is justly proud of those who won these new laurels for it. This was a fitting culmination to the thorough season of work done by the forum. When the plan of post-graduate education was announced, Milwaukee was among the first chapters to organize a forum; and the despatch with which it was organized was second only to the willingness and interest of its members. Attendance seldom lagged and the course prescribed was thoroughly finished. The forum has reorganized this season, and it is hoped that another splendid year lies before it. Undoubtedly, when the winners of next year's essays are announced Milwaukee will again be heard from.

NEW ORLEANS.

By Jos. J. Farrell.

NEW ORLEANS CHAPTER had the pleasure at its last meeting of having James J. McLoughlin as the speaker of the evening. Mr. McLoughlin is always entertaining and interesting as a speaker, and he explained the various phases of the subject ("Title Insurance") in his customary clear and concise manner. The Law Class and "The Forum" are rolling along at a nice gait, and the entertainments, etc., incidental to the Christmastide will not interfere with the studious concentration of the many members of the two classes.

NEW YORK.

By Harold S. Schultz.

THE year 1914 finds New York Chapter in best of spirits and progressing rapidly. We have begun the second semester of our season's work and our lecture room is still filled with enthusiastic students five nights each week. Our sustaining membership has grown until we now number on our list forty-three banks and seventy-five individuals. The banks which have so generously come to the assistance of Institute work are: Bankers Trust Company, Broadway Trust Company, Brooklyn Trust Company, Brown Brothers Company, Century Bank, Chase National Bank, Chemical National Bank, Citizens Central National Bank, Columbia Knickerbocker Trust Company, Commonwealth Trust Company of Hoboken, Empire Trust Company, Estabrook & Company, Equitable Trust Company, Farmers Loan & Trust Company, Fidelity Trust Company, Fifth Avenue Bank, Fourth National Bank, Franklin Trust Company of Brooklyn, Greenwich Bank, Hanover National Bank, Hallgarten & Company, International Banking Corporation, Irving National Bank, Ladenburg, Thalmann & Company, Lincoln National Bank, Lincoln Trust Company, Market & Fulton National Bank, Mechanics & Metals National Bank, Metropolitan Trust Company, J. P. Morgan & Company, National Bank of Commerce, National Nassau Bank, National Newark Banking Company, Newark, National Park Bank, New Netherland Bank, Pacific Bank, Peoples Bank, New York, Peoples Trust Company of Brooklyn, Security Bank, State Bank, Union Exchange National Bank, Union Trust Company of New York, United States Mortgage & Trust Company.

It should be, and is, a source of gratification to Institute men to observe the advance of our interests everywhere, and this list, to our minds, is a comparatively accurate thermometer of our standing in New York.

The one great event which for the present eclipses all else is the coming banquet to be held at the Hotel Astor on February 7th. Elaborate plans have been made this year to make this event the greatest in our history. We want the banquet this year to be representative of the Institute spirit not only in the New York City banks but throughout the length and breadth of our land. We would have our brothers in other cities feel that this event represents not only the advance of New York Chapter alone, but also the expansion of the ideals of the American Institute of Banking at large. It is for this latter reason that Institute men from many neighboring cities have already arranged to be with us, and it is for the same reason that we desire many more to attend. Certainly one who has once been there needs no second invitation to come again, and to the new members or to those who have not yet had an opportunity to be present at this function to simply say that it is well worth their while to do so is putting it mildly. Among those who will be present and who have accepted invitations to address us are: Hon. William A. Prendergast, Comptroller of the City of New York; Hon. Julius M. Mayer, United States District Court; and Rev. S. Parkes Cadman, D.D., of the Central Congregational Church of Brooklyn.

Cannon Prize Candidates are out in force. About sixty men assembled at the chapter on the evening of Monday, December 22d, and under the leadership of E. G. McWilliam were instructed to begin their work along the various lines suggested by the topic, "The Segregation of Savings Deposits in Commercial Banks." Each candidate was given to understand that originality in each article is a most essential requisite for success.

The Practical Banking Course continues to gain numerically, and to hold those interested in the work with remarkable success. Now that the work has advanced from the preparatory stage to questions of vital interest to the more experienced men in the class there is very little reason to doubt but that we should graduate considerably over two hundred men in this class in the spring.

Milton W. Harrison has begun on the Negotiable

Instruments section of his law course, and many interesting and complicated situations are threshed out at each session of this most valuable course.

At the Consul's meeting held on the 5th of December the new system of records prepared by G. A. Kinney and his committee was approved and directions given for its speedy completion. It is hoped that these records will be complete so that they can be published in the very near future. While the meeting was not as large as might have been desired, a number of valuable suggestions were made, among them being a plan of circularizing still further the clerks in the banks of the city. Details of this plan will be explained probably in the next issue.

President Wolfe has announced that he has appointed as a chapter transportation committee to prepare for the trip to Dallas, Texas, next year, the following men: J. B. Birmingham, Citizens Central National Bank, Chairman; Raymond B. Cox, Fourth National Bank, and A. F. Johnson, Irving National Bank.

John Foley, of the United States Mortgage & Trust Co., has been appointed on the house committee, and takes charge of the work on Monday nights. Mr. Kelly has been appointed on the reception committee.

A. R. T. Young, of the literature committee, reports that J. H. Schubert, of the Bowery Bank, has been appointed as an additional member of his committee. Mr. Schubert takes care of this work several nights each week, and is fast becoming known as one of our active workers.

It will facilitate the work of the officers of the chapter if members desiring to borrow books or to transact any business whatever in the evening would present themselves a few minutes before the hour set for the meeting. The Secretary and Librarian try to be present each evening at 7.30 or as near thereto as possible, and will greatly appreciate if members will bear this in mind.

Chapter Night, the first one this year, will be celebrated on January 28th. A special program of interesting speakers and probably some entertainment will be furnished. This will be the first opportunity that new members have had this year to become acquainted with the older members of the chapter and a large attendance is expected.

George W. Wright, of the Bowery Savings Bank, and chairman of our debate section, reports that a challenge has already been received from Philadelphia, and that he has been instructed to accept it for some time in March. Up to the present time interest in debating has been forced to subside by reason of the large number of lectures on the calendar, and it is hoped that any and all who feel that they have time, and who care to take part in this interesting portion of our work will do so immediately as we want to develop the best team in the country. There is a splendid opportunity for men who can talk, or the men who desire to learn how to talk. Send your name to Wright and attend the next meeting, the date of which he will furnish you.

OAKLAND.

By George W. Ludlow.

"THE Federal Income Tax Law" was the subject of a talk by Maurice Harrison, of the Department of Jurisprudence of the University of California, on November 25th. The talk and the general discussion which followed helped many of us to get a clearer view of that seemingly complex act.

On December 12th President Dreher was our guest, and after entertaining him throughout the day he reciprocated by entertaining us in the evening with an eloquent talk on the Educational Section of the A. B. A. and the advantages it offers to the bank man. His visit has helped Oakland Chapter.

On December 18th Dr. David Barrows, Acting President of the University of California, gave a very interesting talk on the present situation in Mexico and its causes. He spoke from first-hand information, and his audience listened with rapt attention to a review of its history and leaders, of its political and industrial upheaval, of its crimes and misfortunes.

The law class will be discontinued from December 16th to January 6th.

We are planning a course of three lectures on the finger print system of identification, to begin the latter part of January. The class will be conducted by Inspector Caldwell of the Oakland police department, who has won National fame in this work. The lectures will be illustrated with lantern slides.

PHILADELPHIA.

By Norman T. Hayes.

JUDGING from the large attendance at our regular December meeting the subject of Taxation seems to be a very popular one. The address of B. Gordon Bromly, Esq., on "The Federal Income Tax" proved very interesting and was very ably presented. While he did not offer a remedy for the extra amount of work given, the banks and trust companies by the "Collection at the Source" clause, he very thoroughly explained taxation in general and its necessity. Much food for thought was found in James H. Dix's address on "The Single Tax." Mr. Dix clearly showed that he had given his subject much thought, and we all profited a great deal by his talk.

Saturday, February 14, 1914, is the date chosen for our annual chapter banquet at the Bellevue-Stratford. The committee is working very hard to make the event as successful as our past ones have been with the hope that every person who attends will thoroughly enjoy themselves. One of the biggest problems they have to confront is how to take care of all the requisitions for tickets, as our demand is always larger than our supply. From information at hand it seems that February will be a banquet month among the chapters of the East. We understand that New York, Boston, and Washington have selected the same month as we have.

Philadelphia Chapter has again decided to set one evening aside for a "Ladies' Night." On Saturday evening, January 10th, the combined musical clubs of the University of Pennsylvania will entertain us with a concert, which will be followed by a dance. From reports that have been coming in a large attendance is assured.

The efforts of our educational committee are being well rewarded by large attendances at all of our classes. The law class under the leadership of Paxon Deeter has completed the subject of Contracts, and a written quiz was held on December 16th. Dr. Kemmerer's class on Banking is going on very nicely, and all the members feel that they have derived a great deal of benefit from his lectures. The post-graduate forum work still goes steadily on, and every member seems very much interested.

Those of our members who have taken up debating this season feel very much indebted to Samuel B. Scott, who has so ably assisted them in this work. A very interesting debate was held on Thursday evening, December 18th, with the Lyceum League of America from Camden, N. J. The Lyceum League succeeded in defeating our team, but the judges had some trouble in coming to a decision as both sides were very ably presented. An exhibition debate between two teams from our chapter will be given before the Philadelphia Association of Credit Men at their regular meeting on January 20th, to be held at the Hotel Walton. The subject is, Resolved—"That good business practice requires that credit of thirty days or more should be extended only on terms closed by acceptances and not on open accounts."

The Consulate reports that 120 new members have been obtained in their campaign which is now going on. They deserve a lot of credit as it is mighty hard work getting bank men out of the

rut and "seeing the light." The Consulate has also taken on its hands the work of arranging for a series of "Members' Nights." It is proposed that one evening of each month shall be set aside for a general meeting, and to have two or three members either deliver an address or present a paper on a practical banking subject.

At the last meeting of the Board of Governors David Craig, of the Tradesmens National Bank, was elected to fill the unexpired term of Chas. B. Engle, who has found it necessary to resign.

PITTSBURGH.

By W. A. Korb.

FOR the open meeting, December 2, 1913, Pittsburgh Chapter was very fortunate in obtaining for its speaker E. Lowrie Humes of Meadville, Pa., who is the United States District Attorney for the Western District of Pennsylvania. Mr. Humes' subject was "State Legislation and Legislators," and having spent several years in the State Legislature, he was thoroughly conversant with all phases of his topic.

He emphasized the importance of the office of Lieutenant Governor, who, he claims, has hitherto been a figurehead simply because he failed to exercise his constitutional prerogative. He also spoke on the importance of an increase in the remuneration of the legislators, saying that a member cannot live at the capital through a long session of the legislature on the compensation now allowed, and still maintain his self-respect, and as a result legislation is in many cases rushed through the House with very inadequate consideration.

In regard to appropriations, he said that legislators are so eager to obtain funds for the hospitals and other institutions in their districts, that there is danger of them sacrificing their votes or some other important measures, just to secure support for their appropriation, and thus make themselves solid with the people whose votes put them in office.

Mr. Humes is a very earnest and impressive speaker; one who believes in honest legislation and has the courage to stand up for such.

W. E. Morgan, of the Union National Bank, furnished some very excellent music.

On December 9th Prof. A. A. Brogan continued his course in Business English by giving us a drill on the correct use of certain verbs. These talks sort of take one back to grammar school days, but from the debates that arise each night it is plainly evident that the boys are deriving much benefit from them.

J. Howard Arthur, of the Peoples National Bank, was the other speaker for the evening. His talk was in connection with the Banking Course, and the subject discussed was "Loans and Investments." Mr. Arthur was unable to go into any detail in trying to discuss so vast a subject in the short time allotted him, but he covered the ground very thoroughly, and gave the boys both an interesting and instructive talk.

On December 16th, Prof. Brogan in his business English course took up business letter writing. He gave the following points as important characteristics of a business letter: judgment of human nature; originality; exactness; description; argument, exposition and brevity, after which he took up each separate characteristic and discussed it in detail.

The latter part of the evening was given over to J. E. Rovensky, formerly manager of the foreign department of the First-Second National Bank, who discussed "The Causes of Foreign Exchange Fluctuations." He outlined on the blackboard an international balance sheet, by the aid of which he very cleverly pointed out the factors which tend to raise or lower the exchange market. This is the second talk delivered by Mr. Rovensky on "Foreign Banking," and the chapter is indeed fortunate in having secured such an able speaker to handle that end of the banking course.

The Pittsburgh boys are already beginning to discuss the Dallas Convention, and judging from the amount of interest shown a large delegation from this chapter will attend.

Things are flourishing in the athletic department of the chapter. The bowlers have just finished the first half of their schedule. The race between the Central Trust and Mellon National teams has been a pretty one indeed, and has furnished no end of excitement, both for the players and the followers of this branch of sport.

The standing of the teams is as follows:

	Won	Lost	Pct.
Central Trust	23	7	.767
Mellon National	21	9	.700
Pittsburgh Bank for Sav...	15	15	.500
Peoples National	14	16	.467
Commonwealth Trust	9	21	.300
Union Trust	8	22	.267

In the basket ball league no less interest is being shown. The teams are pretty evenly matched, and the games are all closely contested. The league has secured the North School Hall in which to play its games, and the attendance so far has been very good. The following was the standing of the teams on December 20th:

	Won	Lost	Pct.
Washington-Monongahela	3	0	1.000
Bank of Pittsburgh.....	3	0	1.000
South Side Trust Co. of Pgh...	3	1	.750
Farmers Nat'l Bank	2	2	.500
Mellon National Bank	1	2	.333
Exchange-Safe Deposit	0	3	.000
Diamond National Bank.....	0	4	.000

PORTLAND.

By Cyrus A. Woodworth.

PRESIDENT H. J. DREHER was the guest of Portland Chapter on December 2d and 3d, and addressed the members at the chapter rooms on the evening of the 2d. His visit was an event of note in the history of the chapter, and even the weather man did something out of the ordinary to add to the pleasure of what sightseeing was permitted Mr. Dreher during his short stay.

The entertainment committee kept up their reputation and added to it on the occasion of the annual dance, December 3d. One of the largest crowds in the history of the chapter attended. Our chapter, while placing the educational work above everything else, has not forgotten the value of the "get-together" spirit engendered at our various social gatherings.

It is a pleasant duty to acknowledge receipt of various chapter magazines and to announce that we will soon be in a position to reciprocate.

President T. H. West has been appointed a member of the national publicity committee of which H. E. Hebrank, of the Union National Bank of Pittsburgh, is Chairman.

By the time this appears, the law class will have taken up the study of "Negotiable Instruments." Mr. Baker has amplified some of the work with a printed monograph and "quiz" of his own, which has been of great value.

SAINT PAUL.

By R. A. Brault.

ON the evening of December 2d St. Paul Chapter held a banquet at the Merchants Hotel. A very pleasant evening was passed with good speakers and a number of vocal selections. Grant Van Sant, of the Van Sant Mortgage Loan Co., delivered a good speech on farm mortgages. His talk was very interesting and appreciated by all. Mr. Pearson, a prominent young attorney of this city, who was at one time a clerk at the Merchants National Bank, talked on the New Negotiable Instruments Act as it passed the Minnesota Legislature last year. He outlined the changes and new phrases. His talk was very interesting as well as educational.

Thanksgiving morning St. Paul Chapter football team met the Minneapolis Chapter team at Lexington. As there is quite a little rivalry, both teams played a good game. The final score was 13 to 0 in favor of St. Paul.

Our annual dance was held on December 12th, at the Masonic Temple. Mr. Stutzman, the chairman, and his committee deserve much credit, because it was a very elaborate affair. A large crowd attended and everybody declared it a time to be remembered.

Two classes are being planned for the second semester (one in Banking Practice and the other in Investments).

SALT LAKE CITY.

By Willard S. Evans.

"LET'S hear Dreher" was the pass-word among the bankers of Zion when we received the good news of his coming. Preparations were made for a dinner and eighty plates reserved, but the entertainment committee was much surprised when they found they had one hundred and ten on hand to care for in their enthusiasm to listen to the one man whom they knew would give them more real chapter thoughts than anyone who would be in our midst this year. It was in many respects an event that will be remembered by all who had the pleasure to see and hear the American Institute of Banking President. Mr. Dreher being the first and only President Salt Lake Chapter has ever seen except during the Convention in 1912, when Raymond B. Cox was here, we feel that our experience has been very beneficial as well as very pleasant.

The Institute in Salt Lake City has made good progress this year. T. W. Ball, an Institute graduate, is rendering good service in charge of the law class, and if interest is kept on edge as has been shown up to date, President Beach D. Lyon expects that we will add at least fifteen more graduates at the close of 1913-14 year.

Preparations are on foot for an English class. Those who are more closely in touch with the work believe that this division of the work would do much to keep the interest high as well as being a great aid to all.

Our annual adding machine contest will be held in January. Some of the "speeders" that gained a reputation last year are expecting to be in the contest this year, but new material is much in evidence and "teaming" will be a feature.

SAN FRANCISCO.

By John I. Riordan.

SAN FRANCISCO CHAPTER is very comfortably situated in its new quarters on Post Street. That the members truly appreciate their new home is evidenced by the enthusiasm with which they pursue the various activities outlined in the Calendar. Lectures, well attended and marked by the closest interest, are successful.

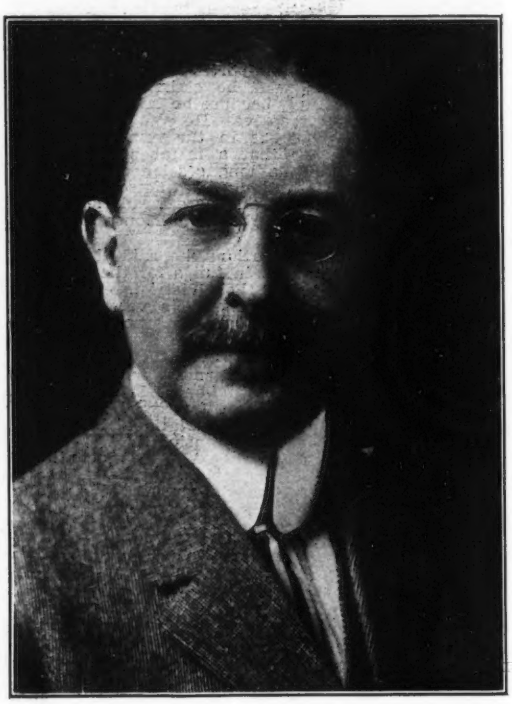
Professors Harrison and Parker of the Extension Division of the University of California have expressed themselves as well pleased with the co-operation of the boys. The courses follow the specially prepared Institute work on the subjects of law and banking and most of the students are working for diplomas.

The first of our series of special lectures for the winter season was delivered on the evening of November 20th by Prof. Maurice E. Harrison. His topic, that real live and very trying innovation, "The Income Tax," served to take up about one and one-half hours. While the matter is still in a somewhat embryonic condition, much credit must be given to Mr. Harrison for having demonstrated a great many features of the bill which had previously stumped us.

A ladies' night, held October 29th, was very successful. The new quarters show to great advantage in their adaptation.

San Francisco Chapter had the pleasure of altering its December program to include the entertainment of President H. J. Dreher, who was with us from December 9th to the 12th. The special feature of this event was a dinner, held at the quarters of the Commercial Club on the evening of Wednesday, December 10th, and attended by one hundred and fifty of our members. Toastmaster Newell very ably handled the post-prandial disbursements. To James K. Lynch, Vice-President of the First National Bank, was allotted the welcoming and introducing of Mr. Dreher. Mr. Lynch, at all times a favorite of the chapter, proved himself especially deserving of our regard on this occasion.

Mr. Dreher very quickly won the attention and approbation of all present by the very able manner in which he responded to his call. He spoke of the work of the Institute and told how comprehensive was its scope. He dealt with the necessity for able and efficient bankers, showing how industry, on the



J. W. McDERMOTT.

whole, converged to the banks. He said that the Institute stood for efficiency of service, and maintained that service was a very important factor of the banking business.

Following Mr. Dreher, William A. Day gave an outline of the history of San Francisco Chapter. Russell Lowry, Vice-President of The American National Bank, was the last speaker of the evening. Mr. Lowry chose to entitle his remarks, "The Virtues of the Bank Man," but despite the ominousness of its designation, his talk was a veritable treat.

To Messrs. Newell, Day, and Curran, as a committee, fell the honor of directing and arranging Mr. Dreher's entertainment while he was San Francisco Chapter's guest. That the work was ably done will probably be vouched for by President Dreher.

San Francisco Chapter is pursuing the even tenor of its work in the educational line. Classes are still classes, and not just a few members. An examination

has been scheduled for December 27th, which will let us know what progress we have been making.

Our Christmas season was saddened by the death of J. W. McDermott, one of the original and most popular members of San Francisco Chapter, who was killed by an automobile accident. Mr. McDermott was a typical Californian, big-hearted and liberal-minded, and acquired a national acquaintance in Institute circles through attendance at National Conventions. He was forty-nine years old and had devoted thirty-three years to the service of the old Wells-Fargo and the consolidated Wells-Fargo-Nevada National Bank. Few men of force lack enemies, but Mr. McDermott was both forceful and lovable, and everybody who knew him was his friend. If kind words and kind acts could be coined into money, Mr. McDermott would have been many times a millionaire, but in death we realize that wealth is more than money, and in this higher sense Mr. McDermott was among the wealthiest of Californians.

SEATTLE.

By Roscoe Drummond.

DURING the past few months Seattle Chapter has been busy—in fact, very busy. The educational work is now well under way and the prospects are indeed bright, the beginners' class having from forty to sixty members and the advance class from twenty to thirty members.

This year we have been extremely fortunate in securing the co-operation of the extension division of the University of Washington, the school supplying their best men for our lectures. Those who have gone through the classes themselves will understand what it means to have an instructor whose knowledge of the subject under discussion is so complete that he can obtain the constant attention of each member for the entire lecture. In fact most of the class members are now sorry when a lecture is over. Professor Custis has had the subject of economics to lecture on, and we have been indeed favored with a man who can understand the meaning of practical appliance of theories.

It is to the credit of Mr. Maine, the chairman of the educational committee of the local chapter, that work has progressed so successfully. The advance class has been very skilfully managed. It is a hard task at best to lead over an unknown road, but Mr. Maine has so devised his course that every man is still enthusiastic and anxious to do in the work.

It is the plan of the educational committee, as now outlined, to hold three examinations in one—first year, second year, and third year. This will obviate the necessity of those who took last year's work from waiting until the beginners' class has completed its work.

Chapter members of Seattle have been intensely interested in the development of the new Federal Reserve Act. Several formal and informal discussions have been on our programs, and we are glad to state that it is an old chapter man, J. W. Spangler, who is directing the Seattle business interests in their endeavor to have Seattle become the home of one of the reserve banks.

The recent visit of President Dreher was successful not only in increasing the substantial enthusiasm of chapter members, but also in stimulating the interest of bank officers. Notwithstanding inclement weather there was a large attendance at the meeting at which Mr. Dreher spoke. Nobody can exactly take the place of the President of the Institute in presenting every phase of its activity, and in his remarks Mr. Dreher combined the ideal and the practical in a masterly manner. Upon his arrival he was taken to the chapter rooms, where he addressed a special meeting of the local Institute men. He said that the Institute has a twofold purpose: to make its members efficient, and to be of service to the community. The Institute has passed the formative period, and in order to justify itself as an institution of vitality and progress it must inspire men to study public needs and to give time and aggressive effort to the solution of the problems, economic and social, which confront us to-day. After listening to Mr. Dreher, chairmen of the various committees gave outlines of the work which the chapter is doing, and of plans for the immediate future, in order that the National president might become acquainted with the situation here and so be in a position to help us with his counsel in the best possible way. A detailed discussion followed, in which many valuable suggestions were elicited from Mr. Dreher. On the Monday evening following he was the guest of honor at a banquet given by Mr. L. H. Woolfolk, Assistant Cashier of the Scandinavian-American Bank and Vice-Chairman of the Executive Council of the Institute. The guests were officers of Seattle banks, who are especially interested in the work of the chapter. While in the city Mr. Dreher announced that he has appointed Mr. R. H. MacMichael, Manager of the Bond Department of the Dexter Horton National Bank, a member of the National committee of the Institute on public affairs. Mr. MacMichael, formerly president of the Institute, is certainly well qualified by training and study to be of large service in this the newer phase of the organization's activities.

SPOKANE.

By A. F. Brunkow.

ON November 26th and 27th Spokane Chapter was honored with a visit from our National President, H. J. Dreher of Milwaukee. After visiting the banks of the city and meeting the bank officials on Wednesday morning, Mr. Dreher was entertained at luncheon at the Inland Club by the executive council and members of the various committees of the chapter.

In the evening about seventy-five bank men of the city attended a banquet in the Moorish room at the Spokane Hotel, at which Mr. Dreher was the honor guest. Mr. Gage, our President, presided as toastmaster, and addresses were made by J. Grier Long, President of the Washington Trust Company, H. J. Dreher and Judge Bruce Blake of the Superior Court. Mr. Long took for his subject one that is of especial interest, particularly to our western cities, namely, "The Panama Canal." Having spent considerable time in the Canal Zone the previous summer on a trip, and having witnessed some of the wonderful construction work that has been carried on by our government in the construction of the canal, Mr. Long was able to give us a most interesting talk on this subject. Mr. Dreher spoke of the great work the Institute is doing in the banking world, and urged the bank men to grasp the larger vision of the relation of the banker to the community and nation, and spoke in part as follows:

"The bankers can make the community greater if they work intelligently, but the banker must know the problems of his community and nation before he can help solve them. I want to instill in you the ideal of service to justify your generation before future generations. Your employers will want you to succeed them intelligently. The ideal of service to the community is a big one. The American Institute of Banking will justify itself as the biggest thing in the banking profession if you do your utmost to know the needs of the country, and work to advance your community. The ideal of service will justify the Institute before future generations."

Judge Blake gave us a talk on "Banking as a Trust Relation." We feel that we have been indeed highly honored by Mr. Dreher's visit to our city and chapter, and the resulting benefits have already made themselves manifest by the new enthusiasm which has been stimulated among the members.

B. A. Russell, of the Washington Trust Company, was made Assistant Cashier of that institution on December 1st. Mr. Russell, who is one of our charter members, has served our chapter in various official capacities, among others that of president of 1912-1913.

The law course terminated Thursday night, with the final examination under the direction of Roy A. Redfield, our instructor. Fifteen men took the ex-

aminations, many of whom, if successful, will be entitled to Institute certificates. Beginning the first of the year Spokane Chapter will start courses in English and bookkeeping under the tutorship of Messrs. L. L. Little and W. E. Haesler, of the Lewis & Clark High School. The educational committee in making their choice of subjects wished especially to appeal to the younger bank clerks. In the English course Mr. Little will make letter writing an important feature while Mr. Haesler proposes to begin with elementary bookkeeping, and gradually work his class up through the successive stages of this subject. After spending some time on auditing, the course will be completed with a series of lectures on "The Examination of Statements," by local bank credit men.

SYRACUSE.

By J. J. Hughes.

THE fall season closed Friday, December 19th, with the regular Institute examination in law. Twenty members tried the test which was conducted by A. W. Hudson, Vice-President of the First National Bank, and the former President of the New York Chapter. The educational committee's bulletin admonishing the members to bring "wits and a pencil" was effective as to the pencil, but as to the wits we are silent until the papers are marked by the Educational Director.

As a fitting mark of gratitude the chapter elected to honorary membership Frank R. Walker, A.M., LL.B., and William H. Kniffin, Jr. Mr. Walker has given us two seasons of legal instruction, and we have learned much from him as an instructor and found much to imitate in him as a man. Mr. Kniffin just can't help doing something for somebody else, and his efforts in our behalf have won our appreciation individually and as a chapter.

The class in public address presented Professor Hugh M. Tilroe with a Winchester shotgun as a token of regard for the kindly interest manifested in the work of the Institute. Although under exclusive contract with Syracuse University, and all extra remuneration going into the treasury of that institution, he has generously taken charge of this class, and his attitude of encouragement has won our loyal friendship.

W. H. Stackel and C. W. Covell, representing Rochester Chapter, were in Syracuse Wednesday, December 17th, to make arrangements for the debate to be held in this city in March. We were impressed with their attitude of fairness and their desire to select a subject which would be of live interest and instructive to debaters and audience.

The chairman of the educational committee, S. H. Fyler, is busy arranging for the course on Banking, which will commence in February. The best authority obtainable has been secured for each topic, and this opportunity to compare ideas on bank administration should be grasped by every member.

WASHINGTON.

By Frank V. Grayson.

WASHINGTON CHAPTER is now a member of the American Bankers Association. This is a new departure on the part of the old Association in allowing the chapter's membership and has been taken advantage of by a number of chapters. We feel sure that if the District of Columbia Bankers' Association would take Washington Chapter into membership, and allow a delegate from the chapter to take part in their deliberations, it would help to create closer relations between the officers and employees of all banks in Washington which would redound to the good of the banks in better work and to the public in better service.

President Dreher of the Institute has appointed Joshua Evans, Jr., of Washington, a member of the Public Affairs Committee. Mr. Evans is one of Washington's rising young bankers and is alive to the needs of the public, along the line of having bankers take a more active interest in questions concerning the welfare of the public, as every act of importance sometimes comes in contact with banking power.

President Devereux is bending every effort to give this chapter a better status in educational work than any other chapter in the Institute. The work that he will accomplish this year will bear good fruit, as it has been consistently and systematically planted.

Among the regular attendants at the law class this year we notice our "elder brothers," John M. Riordan, Cashier of the Bank of Commerce and Savings, and Albert S. Gatley, Cashier of the Lincoln National Bank. To come in personal touch with these men who have risen in their profession should be enough to keep some of the younger men enthused and working for the "skeepskin" that will be theirs after having passed the required examination.

By courtesy of W. W. Spaid, junior member of Hibbs & Co., a number of members of the chapter are conducting a "quiz" one night each week in the Hibbs building on the subject of the Income Tax law. As a result of these meetings, several mooted points of this law have been presented to the Treasury Department.

At our open meeting on Thursday, December 11th, we had the pleasure of having with us as the speaker of the evening M. D. Rosenberg, President of the Bank of Commerce and Savings and Chairman of the District Bankers' Association's Committee on the Income Tax, who told us of the many intricacies of this new law. Mr. Rosenberg handled his subject extremely well and made plain to us many of the points about which we had hitherto been in doubt.

Among the many doleful predictions made by a prominent soothsayer for the year 1914 was one that spring will bring a great earthquake in the vicinity of Washington. Let us hope that this will be nothing more than the indignant wrath of our good friends, the Baltimore Bankers, caused by Washington being made a Federal Reserve City instead of Baltimore.

DALLAS CONVENTION.

Transportation Arrangements.

REALIZING the importance of placing before the delegates to the Dallas Convention the necessary information regarding routes, train service, hotel accommodations, and entertainments in ample time to facilitate their arrangements to attend, the Transportation Committee would esteem it a favor if chapters contemplating the entertainment of the delegates en route to or from the Convention advise the Committee of their intentions at this time in order that the necessary schedules may be prepared to enable taking advantage of such invitations if it is possible to do so.

It will not be necessary at this time to outline the plan of entertainment contemplated, but in making up the routes and schedules it is vitally important that the Committee be advised if you desire the delegates to visit your city. It is the desire of the Committee to make such arrangements as is within its scope to insure to those taking the trip all the advantages it is possible to procure from a visit to this beautiful and historic country, and the suggestions of anyone interested will be appreciated by it.

Please communicate at once with the Chairman or any member of the Committee, as follows:

W. W. Spaid, Chairman,
W. B. Hibbs & Co., Washington, D. C.
J. B. Birmingham,
Citizens Central National Bank, New York.
I. L. Bourgeois,
Hibernia Bank & Trust Co., New Orleans, La.
Joseph J. Schroeder,
National Bank of the Republic, Chicago, Ill.
Frank C. Ball,
Mississippi Valley Trust Co., St. Louis, Mo.
R. A. Newell,
First National Bank, San Francisco, Cal.
R. P. Callahan,
National Bank of Commerce, Seattle.